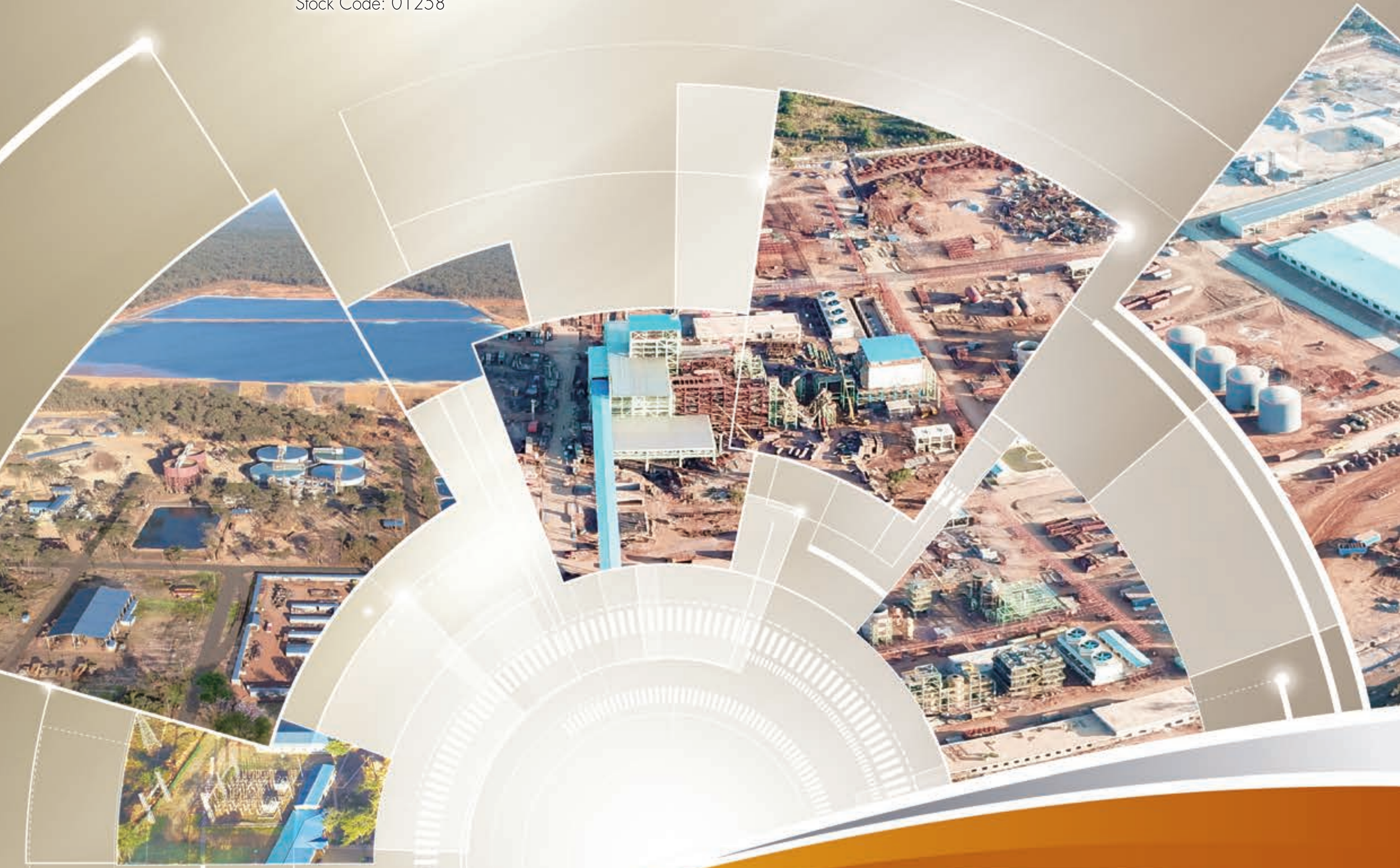
中國有色礦業有限公司
China Nonferrous Mining Corporation Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

Stock Code: 01258



2019
INTERIM REPORT

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CORPORATE INFORMATION

REGISTERED OFFICE

Unit 1303, 13/F., Austin Tower,
22–26 Austin Avenue,
Tsimshatsui, Hong Kong,

PRINCIPAL PLACE OF BUSINESS IN ZAMBIA

32 Enos Chomba Road
Kitwe, Zambia

PRINCIPAL PLACE OF BUSINESS IN DRC

Lubumbashi
Katanga Province
Congo (DRC)

COMPANY'S WEBSITE

www.cnmcl.net

STOCK CODE

1258

DIRECTORS

Executive Directors

Mr. Tongzhou Wang *(Chairman)*
Mr. Xiaowei Wang
Mr. Lin Zhang *(President)*
Mr. Chunlai Wang *(Vice President)*
Mr. Kaishou Xie *(Vice President)*

Non-Executive Director

Mr. Jinjun Zhang *(Vice Chairman)*

Independent Non-Executive Directors

Mr. Chuanyao Sun
Mr. Jingwei Liu
Mr. Huanfei Guan

THE COMMITTEES OF THE BOARD

Audit Committee
Mr. Jingwei Liu *(Chairman)*
Mr. Jinjun Zhang
Mr. Huanfei Guan

Nomination Committee
Mr. Chuanyao Sun *(Chairman)*
Mr. Jinjun Zhang
Mr. Jingwei Liu

Remuneration Committee
Mr. Huanfei Guan *(Chairman)*
Mr. Jinjun Zhang
Mr. Chuanyao Sun

Compliance Committee
Mr. Tongzhou Wang *(Chairman)*
Mr. Chuanyao Sun
Mr. Huanfei Guan

JOINT COMPANY SECRETARIES
Mr. Aibin Hu
Ms. Man Yi Wong

LEGAL ADVISER
Baker & McKenzie
14/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong


ISA furnace of copper smelting company

CORPORATE INFORMATION (CONTINUED)

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Central auxiliary shaft of Chambishi West Mine

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to take this opportunity to extend my heartfelt gratitude to the Shareholders and all sectors of the society for their attention, support and assistance to China Nonferrous Mining Corporation Limited, and to thank the management and staff for their contribution to the operation and management, reform and development of the Group.

China Nonferrous Mining Corporation Limited is an integral part of the core assets and a key business arm of China Nonferrous Metal Mining (Group) Co., Ltd. ("CNMC"). Since last year, CNMC introduced and further optimized the new development strategy of "coordinated development of three key businesses, two wheels-driven growth and all-round reform" that seeks to focus on industrial business, principal operations and specialized operations, and prioritize expansion of international presence, copper operations, and businesses encouraged under the "Belt and Road" initiative, thereby developing itself into a world-class mining enterprise with international competitiveness in terms of technology, management and quality. CNMC, the controlling shareholder of the Company, will always be a strong force for the development of the Company.

Chairman of the Board
Tongzhou Wang

In the past half year, the Group managed to maintain stable production and operation amid a challenging environment. In response to the plunge of global copper and cobalt prices in the first half of 2019, the Board of Directors, the management and employees of the Company made active efforts to exploit the market, enhance management, tap potentials and improve efficiency. Thanks to these efforts, for the first half of the year, the Group produced 124,680 tonnes of blister copper and copper anode, representing an increase of 8.7% year on year; 354,873 tonnes of sulfuric acid, representing an increase of 15.8% year on year; and 49,253 tonnes of copper cathodes, representing a slight decrease of 1.6% year on year. For the first half of the year, the Group recorded revenue of US$1,046.3 million, representing a decrease of 7.2% year on year; profit attributable to the owners of the Company of US$76.3 million; and consolidated basic earnings per share of US¢2.19, representing a decrease of US¢0.64 year on year. The changes in revenue and profit of the Company were mainly due to the changes in market conditions.

Looking ahead, although the global economy still faces many challenges, the long-term outlook for copper and cobalt prices remains strong due to the increasing difficulty of copper and cobalt mining operations, the decelerating growth of copper and cobalt supply in the long run, as well as the future increase in global demand for copper and cobalt driven by the expansion of new energy-related industries. For the Group, all the projects under construction have been well underway: the integrated exploration and construction project of the Chambishi Southeast Mine, with a total investment of US$830 million and a designed ore processing capacity of 3,300,000 tonnes per annum, commenced trial production in August last year; the copper-cobalt reconstruction and expansion project of Huachin Metals Leach SA, with a total investment of US$52,400,000 and an additional production capacity of 10,000 tonnes of copper cathode and 2,000 tonnes of cobaltous hydroxide per annum, commenced trial production in the first half of the year; the copper concentrate smelting project of Lualaba Copper Smelter, with a total investment of US$470 million and a designed processing capacity of 400,000 (dry) tonnes of copper concentrate (together with 10,000 tonnes of copper-cobalt alloy) per annum, is scheduled to put into operation within this year and has been proceeding at full steam; the reconstruction and expansion project of CNMC Huachin Mabende, with a total investment of US$15,910,000 and a designed production capacity of 45,000 tonnes of copper cathode per annum, has been proceeding as scheduled; and for the Kambove integrated exploration and construction project with a planned total investment of US$250 million, the feasibility study has been completed and the negotiations on a supplemental operating agreement have been underway. With the successive completion of construction and commencement of production of these projects, the Group will embark on the fast track of development.

The Group will maintain its strategic focus, and constantly optimize corporate governance and enhance competitiveness. To this end, the Group will further strengthen the integrated management of resources exploitation and international operations, streamline management structure, enhance the development of risk and internal control management systems and improve the standard of corporate governance and intensive management; and will continue to further increase its investment in geological exploration and development, and step up its exploration efforts in the surrounding and deep areas of existing operating mines, especially in Kambove of the DRC. Meanwhile, The Group will continue to seek suitable acquisition targets in the regions rich in copper and cobalt resources such as Zambia and the DRC to expand its resources. The Group will further strengthen capital operation and management and accelerate its development through industry-finance integration.

The Group will keep to its commitments and be a responsible corporate citizen. In this regard, the Group will continue to implement the development vision of "innovation, coordination, eco-friendliness, openness and sharing". While exploiting resources, the Group also pays high attention to environmental protection and the sustainable use of resources. Further, it will seek to ensure the safety and efficiency of production, strictly abide by employment regulations and governance practices, improve workplace conditions, and properly handle concerns of stakeholders such as suppliers and communities, so as to pursue win-win cooperation and harmonious development.

China Nonferrous Mining Corporation Limited
Tongzhou Wang
Chairman of the Board

Hong Kong, 29 August 2019

RESULTS HIGHLIGHTS

OPERATING RESULTS

- In the first half of 2019 (the "reporting period"), China Nonferrous Mining Corporation Limited (the "Company") and its subsidiaries (collectively the "Group") recorded revenue of US$1,046.3 million, representing a year-on-year decrease of 7.2%.

- In the first half of 2019, the Group recorded profit attributable to owners of US$76.3 million, representing a year-on-year decrease of 22.9%.

CHANGES IN PRODUCT OUTPUT

- In the first half of 2019, the Group accumulatively produced 21,569 tonnes of copper concentrate, representing an increase of 32.0% year-on-year.

- In the first half of 2019, the Group accumulatively produced 38,899 tonnes of copper anode, representing an increase of 296.4% year-on-year.

- In the first half of 2019, the Group accumulatively produced 85,781 tonnes of blister copper, representing a decrease of 18.2% year-on-year.

- In the first half of 2019, the Group accumulatively produced 49,253 tonnes of copper cathodes, representing a decrease of 1.6% year-on-year.

- In the first half of 2019, the Group ceased to produce copper-cobalt alloy, and an aggregate of 825 tonnes of copper-cobalt alloy were produced during the same period last year.

- In the first half of 2019, the Group accumulatively produced sulfuric acid of 354,873 tonnes, representing an increase of 15.8% year-on-year.

STEADY PROGRESS IN PROJECT DEVELOPMENT

The integrating exploration and construction project of the Chambishi Southeast Mine of NFC Africa Mining PLC ("NFCA") is one of the key development mine projects of the Group. As at 30 June 2019, a cumulative investment of US$786 million were contributed to the project, accounting for 94.7% of the total project investment.

The main shaft and auxiliary shaft of Chambishi Southeast Mine

* *Translation of English terms for reference purposes only*

Mwambashi strip mine project with the total planned investment of US$57.39 million of Sino-Metals Leach Zambia Limited ("SML") was put into formal operation at the end of June 2016. As at 30 June 2019, for the Mwambashi Strip Mine with a designed capacity of 600,000 tonnes of ores per annum, the stripping volume accumulatively completed amounted to 8,197,620 m^3 and the total investment amount of the project amounted to US$31.97 million.

Huachin Leach copper-cobalt reconstruction and expansion project of Huachin Metals Leach SA ("Huachin Leach") had a total planned investment of US$52.4 million. As at 30 June 2019, an accumulative investment of US$52.0 million had been made. The project has been put into trial operation and under the stage of completion final accounts.

Huachin Mabende copper cathode reconstruction and expansion project of CNMC Huachin Mabende Mining SA ("CNMC Huachin Mabende") had a total planned investment of US$15.91 million. As at 30 June 2019, an accumulative investment of US$3.98 million had been made. The project has proceeded as scheduled.

Copper concentrate smelting project with the total planned investment of US$470 million of Lualaba Copper Smelter SAS ("Lualaba Copper Smelter") is designed with an annual capacity of 400,000 tonnes of copper concentrates. A copper-cobalt alloy project with an annual capacity of 10,000 tonnes will be constructed in the same period. As at 30 June 2019, various works progressed smoothly, and a total amount of US$195.22 million had been invested in the project accumulatively. The cobalt recycling system is the subsystem of the blister copper smelting project designed to process 400,000 tonnes of copper concentrates per annum, and is designed to produce 10,000 tonnes of copper-cobalt alloy per annum with an estimated investment of US$33.10 million. The project has been under construction in parallel with the blister copper smelting project.

Kambove integrated exploration and construction project of Kambove Mining SAS ("Kambove Mining") had a planned total investment of US$250 million. As at 30 June 2019, supplementary exploration and feasibility study had been completed, and negotiation on making supplements to the operation agreement was underway.

* *Translation of English terms for reference purposes only*

Electrode workshop of Muliashi Project

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2019, the Group's production and project construction were conducted as scheduled and the operating results of the Group declined as compared with the same period last year under the adverse impact of the decrease in international copper price and market fluctuation.

During the reporting period, the revenue of the Group amounted to US$1,046.3 million, representing a decrease of 7.2% as compared with the same period last year. Profit attributable to owners of the Company amounted to US$76.3 million, representing a decrease of 22.9% over the same period last year, which was mainly attributable to the decreases in global copper price and the sales volume of copper cathode and copper-cobalt alloy as compared with the same period last year.

With the rapid development of the integrating exploration and construction project of the Chambishi Southeast Mine, Lualaba copper smelting project and Huachin Leach reconstruction and expansion project, a solid foundation will be laid for the Group's further development of business.

BUSINESS REVIEW

The Group is a leading, fast growing and vertically integrated copper producer, focusing on operations based in Zambia and the DRC concerning mining, ore processing, leaching, smelting and sales of copper and cobalt. The Group also produces sulfuric acid, a by-product generated during the smelting process.

Since 2018, the Group has intensified its efforts in the development of the cobalt business. Apart from Chambishi Copper Smelter Limited ("CCS") which engages in the production of copper-cobalt alloy, the Lualaba copper smelting project, Southeast Mine project, Huachin Leach upgrading and expansion project and Kambove exploration and development project, which are currently under development, are also designed to produce cobalt products.

The businesses of the Group are carried out mainly through the following companies: NFCA, CNMC Luanshya Copper Mines PLC ("Luanshya"), CCS and SML located in Zambia, as well as Huachin Leach, CNMC Huachin Mabende, Lualaba Copper Smelter Kambove Mining located in the DRC.

From January to June 2019, the Group accumulatively produced 124,680 tonnes of blister copper and copper anode, representing an increase of 8.7% from the same period last year, which comprised blister copper of 85,781 tonnes, representing a decrease of 18.2% from the same period last year, and copper anode of 38,899 tonnes, representing an increase of 296.4% from the same period last year; copper cathode of 49,253 tonnes, representing a decrease of 1.6% over the same period last year; and sulfuric acid of 354,873 tonnes, representing an increase of 15.8% from the same period last year. Revenue of the Group decreased by 7.2% from US$1,127.9 million for the first half of 2018 to US$1,046.3 million for the first half of 2019.

* *Translation of English terms for reference purposes only*

BUSINESS REVIEW (CONTINUED)

Production Overview

NFCA

At present, NFCA mainly operates two mines, namely the Chambishi Main Mine and Chambishi West Mine, as well as the ancillary processing plant.

In the first half of 2019, copper contained in concentrate accumulatively produced amounted to 14,009 tonnes, representing a decrease of 6.0% from the same period last year. This was primarily due to the fact that the ore output (copper-contained basis) of another subsidiary of the Company decreased by 2,018 tonnes to 195 tonnes as compared with the same period last year.

Luanshya

Luanshya operates three copper mines, which are Baluba Center Mine, Muliashi North Mine and Muliashi South Mine, respectively, as well as the Muliashi Leach Plant.

The Muliashi Project produced 21,607 tonnes of copper cathode in the first half of 2019, representing an increase of 1.6% over the same period last year. The increase was mainly attributable to the increased scale of heap leaching and continuous improvement in the output capacity of the system. In the first half of 2019, the slag copper recovery project and the Baluba underground mine cumulatively produced 5,791 tonnes of copper contained in copper concentrate, representing an increase of 230.2% from the same period last year, which was mainly due to the significant increase in production of Baluba underground mine since it resumed production in July last year; the project commenced production of blister copper by way of commission processing in May 2019 and has so far produced 1,039 tonnes of blister copper.

CCS

CCS mainly operates the Chambishi Smelting Plant.

In the first half of 2019, CCS accumulatively produced 123,641 tonnes of blister copper and copper anode, representing an increase of 7.8% from the same period last year, which comprised blister copper of 84,742 tonnes, representing a decrease of 19.2% from the same period last year, and copper anode of 38,899 tonnes, representing an increase of 296.4% from the same period last year; and 354,873 tonnes of sulphuric acid, representing an increase of 15.8% from the same period last year.

SML

SML mainly operates the Mwambashi Mine and the Chambishi Leach Plant.

Copper cathode accumulatively produced by SML in the first half of 2019 increased by 3.6% to 2,839 tonnes as compared with the same period last year. Processing plants of SML produced 1,964 tonnes of copper contained in copper concentrate in the first half of 2019, representing an increase of 4.0% from the same period last year, mainly attributable to the abundant supply of raw materials as a result of the sustained supply of ores by Mwambashi Mine.

BUSINESS REVIEW (CONTINUED)

Production Overview (Continued)

CNMC Huachin Mabende and Huachin Leach

Copper cathode accumulatively produced by CNMC Huachin Mabende in the first half of 2019 decreased by 16.0% to 15,527 tonnes as compared with the same period last year. Copper cathode produced by Huachin Leach increased by 22.4% to 9,280 tonnes as compared with the same period last year. In particular, the decrease in production of CNMC Huachin Mabende was due to the unstable supply of electricity and the declined grade of ores; the increase in production of Huachin Leach was mainly due to the increase in the volume of ores processed and the higher ore grade in the current period, coupled with the trial production of the copper system reconstruction and expansion project.

The table below sets forth the production volume of the products of the Group and the period-to-period change for the periods indicated.

	Production volume for the six months ended 30 June 2019 (note) ***(Tonnes)***	Production volume for the six months ended 30 June 2018 (note) *(Tonnes)*	Period-to-period increase/(decrease) *(%)*
Copper concentrate	**21,569**	16,334	32.0
Blister copper	**85,781**	104,878	(18.2)
Copper anode	**38,899**	9,813	296.4
Copper cathode	**49,253**	50,079	(1.6)
Copper-cobalt alloy	**–**	825	(100.0)
Sulfuric acid	**354,873**	306,512	15.8

Note: The production volumes of all the products are on a contained-copper basis, except for sulfuric acid and copper-cobalt alloy.

Smelting

Leaching

BUSINESS REVIEW (CONTINUED)

Exploration, development and mining cost of the Group

Expenses of exploration, development and mining activities of the Group for the six months ended 30 June 2019 are set out below:

	NFCA				Luanshya			SML	CNMHK		Kambove Mining		
Unit: Million US dollars	Chambishi Main Mine	Chambishi West Mine	Chambishi Southeast Mine	Baluba Center Sulphide Mine	Muliashi North Mine	Muliashi South Mine	Baluba East Mine	Mwambashi Mine	Huachin Leach PE6307 Mine	Huachin Mabende PE5276-B5 Mine	Main Orebody	KIBINDJI	Total
Exploration activities													
Including:													
– Drilling	0	0.18	0.67	0.28	0	0	0.06	0	0	0.12	0.28	3.26	**4.85**
– Analysis	0	0.03	0.05	0	0	0	0	0	0	0	0	0	**0.08**
– Others	0	0.13	0.07	0	0	0	0.03	0.09	0	0	0	0	**0.32**
Sub-total	**0**	**0.34**	**0.79**	**0.28**	**0**	**0**	**0.09**	**0.09**	**0**	**0.12**	**0.28**	**3.26**	**5.25**
Development activities (including mine construction)													
Including:													
– Purchases of assets and equipment	0	2.17	48.21	0.03	0	0	0	0	0	0	5.87	0	**56.28**
– Civil work for construction of tunnels and roads	0	0	0	0	0	0	0	0	0	0	0	0	**0**
– Staff cost	0	0	2.53	0	0	0	0	0	0	0	0	0	**2.53**
– Others	0	0	10.26	0	0	0	0	0	0	0	0	0	**10.26**
Sub-total	**0**	**2.17**	**61.00**	**0.03**	**0**	**0**	**0**	**0**	**0**	**0**	**5.87**	**0**	**69.07**
Mining activities (excluding ore processing)													
Including:													
– Staff cost	0.42	1.65	0	1.13	0.04	0	0	0.17	0	0.27	0	0	**3.68**
– Consumables	0	0	0	1.25	0.80	0.06	0.27	0	0	0.01	0	0	**2.39**
– Fuel, electricity, water and other services	0.98	3.81	0	3.05	0	0	0	0.02	0	0.22	0	0	**8.08**
– On-site and remote system management	0	0	0	0	0	0	0	0	0	0.17	0	0	**0.17**
– Non-income taxes, royalties and other expenses	0	0	0	2.37	6.88	0.02	2.50	0	0	0	0	0	**11.77**
– Depreciation	0.35	1.38	0	1.44	8.33	0.07	0.90	1.11	0	0.32	0	0	**13.90**
– Sub-contracting charges	5.09	19.87	0	9.45	19.54	0.02	6.15	2.87	0	0	0	0	**62.99**
– Transportation charges	0	0	0	0	0	0	0	0.31	0	0	0	0	**0.31**
– Others	1.26	4.88	0	0	0	0	0	0	0	0	0	0	**6.14**
Sub-total	**8.10**	**31.59**	**0**	**18.69**	**35.59**	**0.17**	**9.82**	**4.48**	**0**	**0.99**	**0**	**0**	**109.43**

BUSINESS REVIEW (CONTINUED)

Mining Exploration, Mining Development and Ore Mining Activities

Mining Exploration

During the reporting period, NFCA, Luanshya, SML, CNMC Huachin Mabende and Kambove Mining, subsidiaries of the Company, conducted mining exploration for production and exploration purposes, respectively. In particular:

In the Chambishi West Mine of NFCA, 9 exploratory drilling holes (with a 75mm-diameter end-hole) for production purposes were completed with 1640.5 m drilled. In the Chambishi Southeast Mine, 24 exploratory drilling holes (with a 47mm-diameter end-hole) for production purposes were completed with 1,560.38 m drilled, and 60 drilling holes (with a 75mm-diameter end-hole) for infrastructure and exploration purposes with 4,939.82 m drilled.

Luanshya conducted trenches in Muliashi North Strip Mine (North Mine), Baluba Surface Oxidized Mine and Baluba East Strip Mine (East Mine) for production purposes. In particular, at Muliashi North Strip Mine and Baluba East Strip Mine (East Mine), 21 platform trenches for production and exploration purposes were completed with a total length of 1,720 m. At Baluba Surface Oxidized Mine, a total of 16 drilling holes (with a 75mm-diameter end-hole) were completed for supplementary investigation purposes with 1,282.68 meters drilled.

In Samba region of SML, 2 drilling holes (with a 110 mm-diameter end-hole) were completed with 445.5 meters drilled.

CNMC Huachin Mabende carried out resource exploration at PE12094/Kajilongwe, a mine under lease and cooperative development and a total of approximately 10,000 meters have been drilled.

No exploration activities were carried out by the Huachin Leach in the first half of 2019.

In Kambove Mining Main mineral deposit, 4 drilling holes (with a 75 mm-diameter end-hole) were completed with 648.59 meters drilled. Verification over the open pit overburden tailings resources at the main and western mines was conducted and 5 drilling holes were completed with 130.05 meters drilled.

BUSINESS REVIEW (CONTINUED)

Mining Exploration, Mining Development and Ore Mining Activities (Continued)

Mining Development

The drilling in the shaft, the auxiliary shaft, the south wind shaft and the vertical shaft of north wind shaft of the Chambishi Southeast Mine were completed. The expansion works for infrastructure construction were fully completed. The ground surface projects completed and put into service include: the permanent power supply system, the supply warehouse, the core library, the pool with the volume of 10,000 tonnes, the comprehensive office building and the staff office building, and the mining office building. Construction of ore dressing project, tailing pipeline transport project, filling station project, surface oil storage system project, surface plant road and the living quarters has been completed and put into use. The tailings impoundment warehouse has been completed, accepted and put into use. In the first half of the year, automatic ore processing instruments have mostly been installed and were subject to trial production twice.

Huachin Leach Reconstruction and Expansion Project was basically completed in February and started commissioning test run in March; in the meantime, the cobalt salt system was completed, and was put into production in June and turned out to be successful on 30 June. The Mabende technical renovation project has so far been underway in an orderly manner based on the approval opinion of the Group. The ore processing has been put into use twice, both the copper grade of concentrate and recovery rate have notched up the designed indicators, and the maximum processing capacity has met up with 80% of the designed capacity.

87.5% of the overall construction schedule for Lualaba Copper Smelter was completed as at 30 June 2019. The ground weighing bridge, concentrate store and laboratory have passed acceptance. High-voltage tests for internal bus, switching room and others were all completed and therefore the project was ready to be brought to electricity access. The water purification station was installed and ready to be used. Air compression station, smelting furnace system and sulfuric acid system were all set up systematically. The construction of the living quarters was also substantially completed.

Ore Mining

For details of ore mining activities, please refer to"Production overview"on pages 11 to 12.

BUSINESS REVIEW (CONTINUED)

Mining Exploration, Mining Development and Ore Mining Activities (Continued)

Infrastructure projects, subcontracting arrangements and procurement of equipment

The major contracts entered into during the reporting period are as follows:

1. Supplemental Agreement to the Muliashi South Strip Mine Mining and Stripping Contract (concerning the Supplementary Mining Area of South Mine) (《穆裡亞希南露天採礦剝離合同補充協議南礦補充採區)》)

2. Contract on Transshipment Barren Rock at Baluba Copper Mine of CNMC Luanshya Copper Mines PLC (《盧安夏銅業有限公司巴魯巴銅礦廢石轉運合同》)

3. Contract on Mining and Construction and Installation Works (2019-2021) of NMC Luanshya Copper Mines PLC (《中色盧安夏銅業有限公司2019至2021年採礦、建安工程合同》)

4. Special Assessment and Research on Safety of Open-Pit Mining Instead of Underground Mining at Baluba Center Mine (《巴魯巴中地下轉露天開採安全專項評估及研究》)

For the six months ended 30 June 2019, the aggregate value of contracts newly entered into relating to infrastructure construction and procurement of the Group amounted to US$58,634,000, of which the capital commitment was US$7,922,000.

There was no subcontracting arrangement* during the period.

* Subcontracting arrangement refers to an arrangement made between one party to a contract and a third party, pursuant to which the third party shall fulfill all or part of the obligation of that party under the said contract. For example, it refers to the circumstance where the Group wins a project as a contractor and then transfers the entire project or subcontracts part of the project to a third party.

Panorama of the ore processing plant of Chambishi Copper Mine

BUSINESS REVIEW (CONTINUED)

Projects in Progress

NFCA

The Integrating Exploration and Construction Project of the Chambishi Southeast Mine

The Chambishi Southeast Mine Project under development is one of the key development mine projects of the Group with a designed ore processing capacity of 3,300,000 tonnes per annum. The total investment of the project is US$830 million. As at 30 June 2019, an aggregate of 927,000 m^3 of the shaft work was completed with underground drilling depth of 45,662 m. A total amount of US$786 million had been invested in the project, representing 94.7% of the total project investment. The project was put into trial production on 22 August 2018.

SML

Mwambashi Strip Mine project

The project comprises a strip mine with a designed capacity of 600,000 tonnes of ores per annum and a processing plant with a capacity of 2,000 tonnes per day. The construction commenced in September 2013 with a total investment of US$71.57 million. The strip mine was subject to parallel arrangement of overburden stripping and ore mining in May 2015 and was put into normal operation after getting through the construction process at the end of June 2016. The total stripping capacity amounted to 5,473,600 m^3 as at the end of June 2017. Upon approval by the Board in April 2016, the proposal for construction of a processing plant with a capacity of 2,000 tonnes per day was changed to the expansion of the current processing plant from the then capacity of 1,000 tonnes per day to a capacity of 2,000 tonnes per day, and the total investment was adjusted to US$57.39 million accordingly. As at 30 June 2019, for the Mwambashi Strip Mine with a designed capacity of 600,000 tonnes of ores per annum, the stripping volume accumulatively completed amounted to 8,197,620 m^3 and the total investment amount of the project amounted to US$31.97 million. The expansion of the 1,000 tonnes processing system was an auxiliary project of the Mwambashi project, with a total amount of US$6.36 million had been invested. The closing processes are still underway.

Huachin Leach

Huachin Leach copper-cobalt reconstruction and expansion project

Huachin Leach copper-cobalt reconstruction and expansion project has a designed annual production capacity of 20,000 tonnes of copper cathode and 2,000 tonnes of cobalt, with a total planned investment of US$52.40 million. As at 30 June 2019, an accumulative investment of US$52.0 million had been made. The project has been put into trial operation and under the stage of completion final accounts.

BUSINESS REVIEW (CONTINUED)

Projects in Progress (Continued)

CNMC Huachin Mabende

Huachin Mabende copper cathode reconstruction and expansion project

Huachin Mabende copper cathode reconstruction and expansion project has a designed annual production capacity of 45,000 tonnes of copper cathode, with a total planned investment of US$15.91 million. As at 30 June 2019, an accumulative investment of US$3.98 million had been made. The project has proceeded as scheduled.

Lualaba Copper Smelter

Copper Concentrate Smelting Project

Lualaba copper concentrate smelting project is designed with an annual capacity of 400,000 tonnes of copper concentrates. A copper-cobalt alloy project with an annual capacity of 10,000 tonnes will be constructed in the same period. The planned investment for the blister copper smelting project is US$437.6 million. The construction of the project was commenced in March 2018. As at 30 June 2019, various works progressed smoothly, and a total amount of US$195.22 million had been invested in the project accumulatively. The cobalt recycling system is the subsystem of the blister copper smelting project designed to process 400,000 tonnes of copper concentrates per annum, and is designed to produce 10,000 tonnes of copper-cobalt alloy per annum with an estimated investment of US$33.10 million. The project has been under construction in parallel with the blister copper smelting project.

Kambove Mining

Kambove integrated exploration and construction project

The Kambove integrated exploration and construction project comprises a strip mine with a designed capacity of 958,000 tonnes of ores per annum, a heap leaching stockpile with an annual processing capacity of 1,000,000 tonnes of low-grade ores, a leach smelting plant with a capacity of 30,000 tonnes of copper cathode and 1,000 tonnes of blister cobaltous hydroxide per annum, and a sulphuric acid plant with a capacity of 40,000 tonnes. The planned total investment for the project is US$250 million. As at 30 June 2019, supplementary exploration and feasibility study have been completed, and negotiation on making supplements to the operation agreement is underway.

FINANCIAL REVIEW

Results of Operations

The following table sets forth sales volume, average selling price, revenue and percentage contribution to total revenue of the Group's products for the periods indicated.

	For the six months ended 30 June							
	2019				2018			
	Sales Volume (Note) *(Tonnes)*	Average Selling Price *(US$ per tonne)*	Revenue *(US$'000)*	% of Total Revenue *(%)*	Sales Volume (Note) *(Tonnes)*	Average Selling Price *(US$ per tonne)*	Revenue *(US$'000)*	% of Total Revenue *(%)*
Blister copper	**86,094**	**5,756**	**495,515**	**47.4**	103,423	6,690	691,915	61.4
Copper cathode	**48,816**	**5,587**	**272,741**	**26.0**	51,042	6,421	327,747	29.1
Copper anode	**39,392**	**5,635**	**221,988**	**21.2**	8,670	6,533	56,642	5.0
Copper-cobalt alloy	**–**	**–**	**–**	**–**	706	8,591	6,065	0.5
Sulfuric acid	**230,897**	**243**	**56,041**	**5.4**	197,767	230	45,545	4.0
Total	**405,199**		**1,046,285**	**100.0**	361,608		1,127,914	100.0

Note: The sales volumes of all the products are on a contained-copper basis, except for sulfuric acid and copper-cobalt alloy.

Panorama of the plant of copper smelting company

FINANCIAL REVIEW (CONTINUED)

Revenue

The revenue of the Group decreased by 7.2% from US$1,127.9 million in the first half of 2018 to US$1,046.3 million in the first half of 2019, primarily attributable to the decreases in global copper price and the sales volume of copper cathode and copper-cobalt alloy as compared with the same period last year.

The revenue of blister copper decreased by 28.4% from US$691.9 million in the first half of 2018 to US$495.5 million in the first half of 2019, primarily due to the decreases in global copper price and the sales volume of blister copper.

The revenue of copper anode increased by 292.2% from US$56.6 million in the first half of 2018 to US$222.0 million in the first half of 2019, mainly attributable to the substantial increase in sales of copper anode as compared with the same period last year.

The revenue of copper cathode decreased by 16.8% from US$327.7 million in the first half of 2018 to US$272.7 million in the first half of 2019, mainly attributable to the decreases in global copper prices and sales volume of copper cathode as compared with the same period last year.

The revenue of sulfuric acid increased by 23.1% from US$45.5 million in the first half of 2018 to US$56.0 million in first half of 2019, primarily attributable to the increase in the sales of sulfuric acid.

Production of copper-cobalt alloy was suspended due to overhaul of reduction furnace.

The following table sets forth the cost of sales, unit cost of sales, gross profit and gross profit margin of the products of the Group for the periods indicated.

	For the six months ended 30 June							
	2019				2018			
	Cost of Sales	**Unit Cost of Sales**	**Gross Profit**	**Gross Profit Margin**	Cost of Sales	Unit Cost of Sales	Gross Profit	Gross Profit Margin
	(US$'000)	***(US$ per tonne)***	***(US$'000)***	***(%)***	*(US$'000)*	*(US$ per tonne)*	*(US$'000)*	*(%)*
Blister copper	**447,075**	**5,193**	**48,440**	**9.8**	587,815	5,684	104,100	15.0
Copper cathode	**154,836**	**3,172**	**117,905**	**43.2**	167,001	3,272	160,746	49.0
Copper anode	**206,972**	**5,254**	**15,016**	**6.8**	50,749	5,853	5,893	10.4
Copper-cobalt alloy	**–**	**–**	**–**	**–**	1,815	2,571	4,250	70.1
Sulfuric acid	**8,401**	**36**	**47,640**	**85.0**	6,738	34	38,807	85.2
Total	**817,284**		**229,001**	**21.9**	814,118		313,796	27.8

FINANCIAL REVIEW (CONTINUED)

Cost of sales

The cost of sales of the Group in the first half of 2019 increased by 0.4% to US$817.3 million from US$814.1 million in the first half of 2018, primarily due to the increase in sales volume of copper anode products.

The cost of sales of blister copper decreased by 23.9% from US$587.8 million in the first half of 2018 to US$447.1 million in the first half of 2019, primarily due to the decrease in sales of blister copper and the decrease in raw material cost of copper concentrate resulting from the global copper price fall.

The cost of sales of copper anode increased by 308.3% from US$50.7 million in the first half of 2018 to US$207.0 million in the first half of 2019, primarily due to the substantial increase in sales of copper anode as compared with the same period last year.

The cost of sales of copper cathode decreased by 7.3% from US$167.0 million in the first half of 2018 to US$154.8 million in the first half of 2019, primarily due to the decrease in sales volume of copper cathode.

The cost of sales of sulfuric acid increased by 25.4% from US$6.7 million in the first half of 2018 to US$8.4 million in the first half of 2019, primarily due to the increase in sales of sulfuric acid.

Gross profit and gross profit margin

Due to the above factors, the Group recorded a gross profit of US$229.0 million in the first half of 2019, representing a decrease of 27.0% from US$313.8 million in the same period of 2018. The gross profit margin decreased from 27.8% in the first half of 2018 to 21.9% in the first half of 2019. The decrease was mainly attributable to the decrease of global copper price as compared with the same period last year.

Distribution and selling expenses

The distribution and selling expenses of the Group decreased by 17.4% from US$26.4 million in the first half of 2018 to US$21.8 million in the first half of 2019, primarily due to the decrease in sales of sulfuric acid to the DRC.

Finance costs

The finance costs of the Group decreased by 11.8% from US$11.0 million in the first half of 2018 to US$9.7 million in the first half of 2019, primarily due to the decrease in the financing scale of general-purpose borrowings.

Other gains and losses

In terms of other gains and losses, the Group recorded a net loss of US$4.1 million in the first half of 2019, while a net loss of US$6.1 million was recorded in the first half of 2018, which was primarily due to the year-on-year decrease in the impairment loss on VAT receivable.

FINANCIAL REVIEW (CONTINUED)

Income tax expense

The income tax expense of the Group decreased by 30.7% from US$67.5 million in the corresponding period of 2018 to US$46.8 million in the first half of 2019, primarily due to the year-on-year decrease in profit.

Profit attributable to owners of the Company

Due to the aforementioned factors, profit attributable to owners of the Company decreased by 22.9% from US$98.9 million in the first half of 2018 to US$76.3 million in the first half of 2019.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Net cash flows generated from operating activities

Net cash flows generated from the operating activities of the Group decreased by US$4.0 million from US$167.0 million in the first half of 2018 to US$163.0 million in the first half of 2019, primarily due to the decrease in net cash inflows following the decrease in profit as a result of the decline of copper prices in the current period.

Net cash flows used in investing activities

The net cash flows used in investing activities of the Group was US$199.7 million in the first half of 2019, which increased by US$62.1 million from US$137.6 million in the first half of 2018, mainly attributable to the increase in investment in fixed assets.

Net cash flows generated from financing activities

The net cash flow generated from financing activities of the Group was US$124.9 million in the first half of 2019, which increased by US$104.5 million from US$20.4 million in the first half of 2018, mainly attributable to the increase in new bank and other borrowings for the current period.

Bank balances and cash

The Group's bank balances and cash (including cash and demand deposits) increased by US$87.6 million from US$505.1 million as at 31 December 2018 to US$592.7 million as at 30 June 2019.

FINANCIAL REVIEW (CONTINUED)

Liquidity and Capital Resources (Continued)

Trade receivables at amortised cost /trade receivables at FVTPL

As at 30 June 2019, the Group recorded trade receivables at amortised cost of US$7.8 million and trade receivables at FVTPL of US$131.7 million. The trade receivables at FVTPL were the trade receivables arising from the sales of copper products under provisional pricing arrangements. The aggregate trade receivables amounted to US$139.5 million, which decreased by US$2.1 million from US$141.6 million as at 31 December 2018, primarily attributable to the decrease in global copper price at the end of June 2019 as compared with the end of last year.

Inventories

Inventories held by the Group decreased by US$102.0 million from US$540.2 million as at 31 December 2018 to US$438.2 million as at 30 June 2019, primarily due to the decrease in stocks of copper concentrate and copper ores.

A bird view of heap leaching at Luanshya

FINANCIAL REVIEW (CONTINUED)

Liquidity and Capital Resources (Continued)

Trade payables/trade payables designated at FVTPL

As at 30 June 2019, the Group recorded trade payables of US$117.6 million and trade payables designated at FVTPL of US$70.9 million. The trade payables designated at FVTPL were the trade payables arising from the purchase of copper concentrate under provisional pricing arrangements. The aggregate trade payables amounted to US$188.5 million, which decreased by US$61.5 million from US$250.0 million as at 31 December 2018, primarily due to the decrease of outstanding payments for purchase of copper concentrate.

Bank loans and other borrowings

As of 30 June 2019, the Group's balance of bank loans and other borrowings amounted to US$1,233.6 million.

Among which:

(1) Balance of bank loans and other borrowings due within one year amounted to US$461.7 million.

(2) Balance of bank borrowings due more than one year but not exceeding two years amounted to US$164.7 million.

(3) Balance of bank loans and other borrowings due more than two years but not exceeding five years amounted to US$497.0 million.

(4) Balance of bank borrowings due more than five years amounted to US$110.2 million.

As of 30 June 2019, the borrowings with fixed interest rate amounted to US$20.6 million.

As of 30 June 2019, the Group's bank loans and other borrowings were denominated in US$ and had no seasonal features.

FINANCIAL REVIEW (CONTINUED)

Capital expenditure

	For the six months ended 30 June	
	2019	2018
	(US$'000)	(US$'000)
	(Unaudited)	(Unaudited)
Mining and ore processing facilities at Southeast Mine of NFCA	**59,252**	80,155
Other mining and ore processing facilities at NFCA	**36,265**	35,489
Mining and ore processing facilities at Luanshya (Baluba East Mine)	**2,357**	125
Smelting facilities at CCS	**2,777**	3,667
Leaching facilities at Chambishi Leach Plant	**1,116**	2,013
Leaching facilities at CNMC Huachin Leach Project	**36,462**	9,060
Leaching facilities at Mabende Project	**10,194**	3,598
Smelting facilities at Lualaba Copper Smelter	**82,091**	22,755
Mining and ore processing facilities at Kambove Mining	**765**	618
Other facilities at CNMHK Luano Project	**26**	–
Total	**231,305**	157,480

The total capital expenditure of the Group increased by US$73.8 million from US$157.5 million in the first half of 2018 to US$231.3 million in the first half of 2019, primarily due to the increase in investments in the smelting facilities at Lualaba Copper Smelter and leaching facilities at CNMC Huachin Leach Project.

Financial Policies

As of 30 June 2019, the Group formulated the Financial Budget Management System, the Funds Management System, the Inventories Management System, the Fixed Assets Management System, the Financial Information Disclosure Management System, Management Measures on Approval Procedures and Permissions of Financial Income and Expenses of the Central Office and other financial policies, which aim to regulate and enhance internal control of relevant activities of the Group to ensure the safety of the Group's assets, protect investors' interests and improve operation and management level for compliance with relevant laws and regulations of Hong Kong as well as the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

FINANCIAL REVIEW (CONTINUED)

Market Risk Disclosure

In the ordinary course of business, the Group's market risks mainly comprise commodity price risk, foreign exchange risk and interest rate risk.

Commodity price risk

The Group's commodity price risk is mainly the exposure to fluctuations in the market price of copper which affect the prices of the major commodities purchased, produced and sold by the Group. To mitigate this risk, the Group has entered into copper futures contracts and provisional price arrangement to manage its exposure in relation to forecasted sales of copper products, forecasted purchase of copper concentrate, inventories and the Group's commitment to sell its copper products.

Foreign currency exchange risk

The Group operates its business in Zambia and the DRC and most of its businesses in the past were settled in US dollar, its functional currency, while certain businesses were settled in currencies other than its functional currency (mainly Zambia Kwacha, or ZMK, CDF, currency of the DRC and Renminbi, or RMB), which exposed the Group to foreign currency risk. To mitigate such risk, the Group engaged in foreign currency exchange hedging activities through various methods including locking the signing and settlement currency and speeding up tax rebates.

Interest rate risk

The Group is exposed to interest rate risk of cash flow under the impact of interest rates changes of interest-bearing financial assets and liabilities which mainly include interest-bearing restricted bank balances, bank deposits, bank balances, bank and other borrowings at variable interest rates. The Group currently does not have any interest rate hedging policy. However, the Directors of the Company will consider hedging significant interest rate risk should the need arise.

EMPLOYEE AND REMUNERATION POLICIES

Remuneration of employees (including the Directors) was determined based on their work nature, experience and contributions to the Group. Employees were also entitled to bonus as an incentive subject to their performance.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

Save for those disclosed in this interim report, there were no other significant investments held, material acquisitions or disposals of subsidiaries during the period for the six months ended 30 June 2019. Apart from those disclosed in this interim report, there was no plan approved by the Board for other material investments or acquisition of capital assets as at the date of this interim report.

CHARGES ON ASSETS

As at 30 June 2019, no assets of the Group was being charged (as at 31 December 2018: Nil).

GEARING RATIO

As at 30 June 2019, the gearing ratio was 62.4% (as at 31 December 2018: 60.4%) which is calculated by the net debts (being bank and other borrowings minus bank balances and cash, and restricted bank balances) divided by the total equity attributable to owners of the Company.

CONTINGENT LIABILITIES

As at 30 June 2019, saved as disclosed in this interim report, there was no other material contingent liabilities (as at 31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

NO MATERIAL CHANGES

Saved as disclosed in this interim report, for the period from 1 January 2019 to 30 June 2019, there were no material changes affecting the Company's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, there were no other significant events in relation the Group after the reporting period.

Water from the well drilled for the villagers, free of charge

Singing and dancing villagers

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 June 2012. Net proceeds from the Global Offering have been and will continue to be used by the Group for the operations in Zambia, such as exploration and development of mines, construction of smelting plants, repayment of bank loans and replenishment of working capital, which are in compliance with the intended use of proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 20 June 2012 (the "Prospectus").

As at 30 June 2019, US$210.77 million of the net proceeds from the Global Offering had been utilised by the Company and US$37 million of the net proceeds from the Global Offering intended for the acquisitions of companies with existing exploration rights and additional mining assets remained unused. A detailed analysis of the use of proceeds from the Global Offering is set out as follows:

Item	Intended use of net proceeds *US$'000*	Utilised amount as at 30 June 2019 *US$'000*	Utilised amount during the six months ended 30 June 2019 *US$'000*	Unutilised amount as at 30 June 2019 *US$'000*	Expected timetable for use of unutilised amount
Exploration and development of the Chambishi Southeast Mine	72,000	72,000	–	–	N/A
Expansion of the Chambishi Copper Smelter	48,000	48,000	–	–	N/A
The Muliashi Project	12,000	12,000	–	–	N/A
Development of the Mwambashi Project	12,000	12,000	–	–	N/A
Acquisitions of companies with existing exploration rights and additional mining assets	37,000	–	–	37,000	Expected to be utilised by December 2021
Repayment of certain existing loans	36,000	36,000	–	–	N/A
Working capital and other general corporate purposes	30,770	30,770	–	–	N/A
Total	247,770	210,770	–	37,000	N/A

The Board may, taking account of the overall economic conditions, market situation and the business strategies of the Group, change or modify the plan for the unutilised proceeds as and when appropriate.

The remaining balance of the net proceeds has been placed in interest-bearing deposit accounts with banks.

Muliashi Strip Mine

NUMBER OF SHARES AND PARTICULARS OF SHAREHOLDERS

NUMBER OF SHARES

As at 30 June 2019, the Company had issued 3,489,036,000 ordinary shares (the "Shares").

PARTICULARS OF SHAREHOLDERS

Substantial Shareholders and Other Persons' Interest and Short Positions in the Shares and Underlying Shares

As at 30 June 2019, interests or short positions which shall be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of any other members of the Group:

Long position of the Shares:

Substantial Shareholder	Capacity/ nature of interest	Number of Shares	Approximate percentage of shareholdings
CNMD *(Note)*	Registered owner	2,600,000,000	74.52%
CNMC	Interest in a controlled corporation	2,600,000,000	74.52%

Note: China Nonferrous Mining Development Limited ("CNMD") is a wholly-owned subsidiary of CNMC and therefore, according to the SFO, CNMC is deemed or taken to be interested in all the Shares which are owned by CNMD.

Save as disclosed above, as at 30 June 2019, no other person had any interests or short positions in the Shares or underlying Shares of the Company which was required to be recorded in the register pursuant to Section 336 of the SFO.

* *Translation of English terms for reference purposes only*

As at 30 June 2019, each of the following entities was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Member of the Group	Entity with 10% or more interest (other than member of the Group)	Percentage of that entity's interest
NFCA	Zambia Consolidated Copper Mines Investments Holdings Plc ("ZCCM-IH")	15%
Luanshya	ZCCM-IH	20%
CCS	Yunnan Copper Industry (Group) Co., Ltd* (雲南銅業集團有限公司)	40%
SML	Hong Kong Zhongfei Mining Investment Limited ("Hong Kong Zhongfei")	30%
Huachin Leach	Huachin SARL	32.5%
CNMC Huachin Mabende	Huachin SARL	35%
CNMHK	Hong Kong Zhongfei	30%
Kambove Mining	La Generale Des Carrieres Et Des Mines SA	45%
Lualaba Copper Smelter	Yunnan & Hongkong Metal Company Limited	38%
Kingsail Limited	Yunnan & Hongkong Metal Company Limited	40%

Save as disclosed above, as at 30 June 2019, no other persons were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

* *Translation of English terms for reference purposes only*

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to achieving and maintaining high standards of corporate governance, which they consider to be critical in safeguarding the integrity of the Company's operations and maintaining investors' trust in the Company.

During the reporting period, in order to further optimise and strengthen better corporate governance practices and procedures, the Group further optimised the internal control system and made full use of monthly compliance report to effectively monitor on significant issues including legal cases, connected transactions, internal control of risk and inside information, etc.

During the reporting period, the Board and the committees of the Board of the Company complied with laws in performing their duties and operated in accordance with standards. The Group fulfilled relevant procedures and made disclosure in respect of the use of raised proceeds, material investment and connected transactions and so forth.

To provide further understanding of operation mode, business activities and development conditions for independent Directors, the management provided the Directors with a monthly summary of the major information about the operational development and compliance of the Company.

The Company had been complying with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019.

HUMAN RESOURCES

EMPLOYEE INFORMATION

As at 30 June 2019, the Group employed a total of 6,857 employees (30 June 2018: 6,181), which comprised 552 foreign employees and 6,305 local employees in Zambia and the DRC. The total cost of employees reflected in the condensed consolidated statement of profit or loss and other comprehensive income amounted to approximately US$45.2 million (30 June 2018: US$44.7 million). The year-on-year increase in the total cost of employees was primarily attributable to the construction of new projects and the increase of production volume, which led to the increase of headcount and performance-based salaries of employees.

NFCA office area

Mines Rescue Team

CORPORATE SOCIAL RESPONSIBILITY

The Group always adheres to its the operating mission of "delivering returns to Shareholders, employees and the society through corporate development", and seriously performs environmental and social responsibility in accordance with the industry that the enterprise belongs to as well as operational features.

WORKING ENVIRONMENT

The Group highly embraces the corporate governance concept of being "people oriented", upholds a fair and normative labour policy, pays great respect to the cultural background of employees, protects employees' interests and strictly implements labour policies in relation to social security, working hours and holidays where the enterprises are located. By regularly organizing collective negotiations to determine welfare including remuneration, transportation, housing and medical allowance, and striving to offer a market-competitive remuneration system, the Group provides employees with a healthy and harmonious working and living environment; for the employment and promotion of employees, the Group handles the business in strict compliance with employment management system. Discriminations based on race, religion, skin colour and gender are prohibited; and procedures for complaints are set up. The Group attaches great importance to enhancing quality and ability of staff. Every subsidiary has its special training institution and staff, which carries out comprehensive and multi-level trainings for our employees such as vocational skills training and health and safety training, and provides quality environment for their growth, thus achieving a joint development of employees and enterprise.

HEALTH AND SAFETY

The Group strictly complies with relevant laws and regulations concerning safety production and labour protection where the enterprises are located, and always adheres to the safety production principle of "safety first, prevention foremost". The safety production concept of "respect for life, prevention first" was upheld from the Group to all the subsidiaries. The standards for safety production management have been effectively improved through the implementation of an accountability mechanism of the entities responsible for safety production, specification of the scope of safety production responsibility, enhancement of education of safety production and risk prevention and control, development of overall safety inspection and latent defect investigation and governance, constant improvement and optimisation of the contingency plan and reinforcement of emergency rescue team building. The Group has attached great importance to the investment and construction of safety environmental facilities as well as the equipment and the management regarding the use of labour protection equipment for staff. In every mine and factory, fully-equipped first aid team was developed, and first aid stations were also established. In the first half of 2019, the Group maintained the stable situation of safety production.

ENVIRONMENTAL PROTECTION

The Group aims at establishing an environmentally friendly enterprise, actively carries out energy conservation and emission reduction and strengthens the testing and monitoring of pollutants emission to ensure clean production. The Group attaches great importance to the recycling and sustainable use of resources. The Group pays attention to using environmental-friendly equipment and advanced technology for production, endeavors to promote the establishment of an environmental management system, so as to improve the resources recycling and reuse as well as environmental protection level. Currently, the Group has basically achieved the selection of mines and reuse of industrial water under the wells.

COMMUNITY PARTICIPATION AND OPERATING PRACTICE

Based on copper and cobalt resources development, with the self-development and growth of the Group, it follows the “mutual benefit and win-win” cooperation concept, attaches great importance to the concern of the Company’s shareholders (“Shareholders”), employees, suppliers and communities, actively cultivates the local market, supports local enterprises, shares benefits with suppliers, contributes to the local economy and social development and progress where the enterprises are located through the creation of taxation income, provision of jobs and development of related industries, and provides employees with vocational development and protection to create value for Shareholders.

In the first half of 2019, the Group continued to actively participate in local social welfare undertakings where the enterprises were located in cash and in kind. It supported social welfare undertakings including urban construction, active development of vocational education and cure and public sports facilities construction, which were highly appreciated by the local government and local residents and further established a good corporate-citizenship image as a listed company.

FUTURE PROSPECTS

In the second half of 2019, despite a variety of challenges in the growth of global economy, the prices of copper and cobalt will remain positive in the long run considering the slowing supply of copper and cobalt due to increasing mining difficulties, as well as greater demand for copper and cobalt in the world due to the scaling up of new energy-related businesses in the market.

In the second half of 2019, the Group will continue to follow its own development strategy. It will keep increasing investments in geological exploration and development, pay high attention to and take more efforts in expanding the exploration areas, as well as exploring the surrounding areas and in the depth of the existing mines, especially in the region of Kambove, the DRC. Meanwhile, the Group will continue to identify suitable acquisition targets in regions with rich copper and cobalt resources such as Zambia and the DRC, with an aim to increase the Group's resources.

The Group will further enhance its strengths in resource development and integration and management of international businesses, devote keener enthusiasm to on-site management, reinforce the risk and internal management system construction and improve the standard of corporate governance and intensive management.

The Group will continue to improve the operation efficiency of its existing mines and smelters through optimizing the internal value chain management, boosting the integration construction of production-supply-marketing in the same region, and intensifying cost control and other modern management methods, so as to continuously enhance its profitability. The Group will continue to pay due efforts in its mining activities in underground mines (including Chambishi Main Mine and Chambishi West Mine) and the Muliashi Open-pit Mine and Mwambashi Strip Mine Project in Zambia, so as to increase the production volume of copper concentrate and oxide ore from its own mines. Great efforts will be put into the technology management of CCS, Muliashi Leaching and Smelting and SML in Zambia and Huachin Leach and CNMC Huachin Mabende in the DRC so as to promote the standardised production and improve the output and quality of blister copper, copper cathode, sulphuric acid and cobalt products, with a view to further increasing the operating efficiency and profit from existing production capacity.

The Group will maintain its emphasis on the construction of key projects. It will focus on the trial production of Chambishi Southeast Mine and the reconstruction and expansion of Huachin Leach with a view to expediting the fulfilment of capacity and quality of the projects as soon as possible. The Group will also concentrate on the construction and development of the copper and cobalt projects such as Lualaba Copper Smelter as well as the exploration and development of mines in Kambove, the DRC, to enhance efficiency and provide new production sources for the Company.

In an effort to consistently follow the "innovative, coordinated, green, open and shared" development philosophy, the Group will constantly improve the working environment, ensure production safety and efficiency, and fulfill its corporate social responsibility while fulfilling its commitments of bringing good returns to the Shareholders, according to the requirements of the Environmental, Social and Governance Reporting Guide.

Zambian President Lungu cut the ribbon for the trial production ceremony of Chambishi Southeast Mine

OTHER INFORMATION

GENERAL INFORMATION

The Company was incorporated in Hong Kong on 18 July 2011 and its shares are listed on The Stock Exchange of Hong Kong Limited. The Company's parent and ultimate holding company are China Nonferrous Mining Development Limited, incorporated in the British Virgin Islands, and CNMC, which is wholly owned by State-owned Assets Supervision and Administration Commission of the State Council and is incorporated in the People's Republic of China, respectively.

The registered office of the Company is located at Unit 1303, 13/F., Austin Tower, 22–26 Austin Avenue, Tsimshatsui, Hong Kong, and its principal places of business are located at 32 Enos Chomba Road, Kitwe, Zambia and Lubumbashi, Katanga Province, the DRC), respectively.

The principal activity of the Company is investment holding. The Group's subsidiaries are principally engaged in exploration, mining, ore processing, leaching, smelting and sale of copper cathodes, copper anodes, blister copper, copper-cobalt alloy, cobaltous hydroxide and sulfuric acid. The condensed consolidated financial statements are presented in United States dollars ("US$"), which is also the functional currency of the Company and the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, none of the Directors or chief executives had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interests and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as stipulated in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

During the reporting period, the Company or any of its subsidiaries did not make any arrangements to enable any Directors or their respective spouse or minor children to obtain benefits by means of the acquisition of shares of the Company or other body corporates.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had engaged in any business which competes or may compete directly or indirectly with the business of the Group for the six months ended 30 June 2019.

CHANGES IN THE INFORMATION OF THE DIRECTORS

Since 30 April 2019 (the date of publication of the 2018 Annual Report), there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the Rule 3.22 of the Listing Rules and paragraph C3 of Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to supervise the financial reporting process and internal control and risk management systems of the Group. Members of the Audit Committee are Mr. Jinjun Zhang, a non- executive Director, and Mr. Jingwei Liu and Mr. Huanfei Guan, independent non- executive Directors. The Audit Committee has reviewed the Group's unaudited condensed financial statements for the six months ended 30 June 2019, and was of the opinion that such unaudited condensed financial statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that disclosures had been made.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules ("Model Code"). The Company had also made specific enquiries to all Directors and confirmed that all of them complied with the Model Code throughout the six months ended 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of its listed securities throughout the six months ended 30 June 2019.

Monument for the discovery of the copper mine at Luanshya

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CHINA NONFERROUS MINING CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Nonferrous Mining Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 76, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company (the "Directors") are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	3,4	**1,046,285**	1,127,914
Cost of sales		**(817,284)**	(814,118)
Gross profit		**229,001**	313,796
Other income		**7,481**	5,555
Other gains and losses	5	**(4,117)**	(6,082)
Distribution and selling expenses		**(21,802)**	(26,401)
Administrative expenses		**(29,796)**	(30,092)
Other expenses	6	**(3,157)**	(12,739)
Finance costs	7	**(9,694)**	(10,956)
Profit before tax		**167,916**	233,081
Income tax expense	8	**(46,819)**	(67,453)
Profit and total comprehensive income for the period	9	**121,097**	165,628
Profit and total comprehensive income attributable to:			
Owners of the Company		**76,315**	98,875
Non-controlling interests		**44,782**	66,753
		121,097	165,628
Earnings per share	11		
– Basic and diluted *(US cents per share)*		**2.19**	2.83
– Basic and diluted *(equivalent to approximately HK$ per share)*		**0.17**	0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	At 30 June 2019 US$'000 (Unaudited)	At 31 December 2018 US$'000 (Audited)
ASSETS			
Non-current Assets			
Property, plant and equipment	12	**1,422,256**	1,295,449
Right-of-use assets		**6,048**	–
Finance lease receivables		**–**	67
Restricted bank balances		**6,163**	6,044
Deferred tax assets		**35,531**	42,823
Prepayments and other receivables	15	**120,433**	90,782
		1,590,431	1,435,165
Current Assets			
Inventories	13	**438,247**	540,219
Finance lease receivables		**134**	234
Trade receivables at amortised cost	14	**7,845**	3,023
Trade receivables at fair value through profit or loss ("FVTPL")	14	**131,672**	138,616
Prepayments and other receivables	15	**282,836**	204,568
Derivatives		**1,598**	3,413
Restricted bank balances		**1,874**	2,676
Bank deposits		**36,938**	–
Bank balances and cash		**592,736**	505,091
		1,493,880	1,397,840
Total Assets		**3,084,311**	2,833,005

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 30 JUNE 2019

	NOTES	At 30 June 2019 US$'000 (Unaudited)	At 31 December 2018 US$'000 (Audited)
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		**613,233**	613,233
Retained profits		**342,012**	294,949
Equity attributable to owners of the Company		**955,245**	908,182
Non-controlling interests		**433,155**	388,373
Total Equity		**1,388,400**	1,296,555
Non-current Liabilities			
Deferred tax liabilities		**49,080**	45,593
Bank and other borrowings			
– due after one year	18	**771,966**	534,987
Deferred income		**15,334**	15,528
Provision for restoration, rehabilitation and environmental costs		**17,509**	18,010
		853,889	614,118
Current Liabilities			
Trade payables	16	**117,579**	118,229
Trade payables designated at FVTPL	16	**70,881**	131,760
Other payables and accrued expenses	17	**91,028**	51,867
Income tax payable		**89,725**	85,435
Bank and other borrowings			
– due within one year	18	**461,678**	527,494
Lease liabilities		**5,874**	–
Contract liabilities		**5,257**	7,547
		842,022	922,332
Total Liabilities		**1,695,911**	1,536,450
Total Equity and Liabilities		**3,084,311**	2,833,005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company				
	Share capital	Retained profits	Total	Non-controlling interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Six months ended 30 June 2019					
At 31 December 2018 (Audited)	**613,233**	**294,949**	**908,182**	**388,373**	**1,296,555**
Profit and total comprehensive income for the period	**–**	**76,315**	**76,315**	**44,782**	**121,097**
Dividends declared by the Company	**–**	**(29,252)**	**(29,252)**	**–**	**(29,252)**
At 30 June 2019 (Unaudited)	**613,233**	**342,012**	**955,245**	**433,155**	**1,388,400**
Six months ended 30 June 2018					
At 31 December 2017 (Audited)	613,233	173,842	787,075	253,009	1,040,084
Profit and total comprehensive income for the period	–	98,875	98,875	66,753	165,628
Dividends declared by a subsidiary	–	–	–	(4,000)	(4,000)
Capital contribution by a non-controlling shareholder of a subsidiary	–	–	–	37,860	37,860
Dividends declared by the Company	–	(21,367)	(21,367)	–	(21,367)
At 30 June 2018 (Unaudited)	613,233	251,350	864,583	353,622	1,218,205

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**163,006**	167,024
NET CASH USED IN INVESTING ACTIVITIES:		
Interest received	**3,083**	3,417
Purchase of property, plant and equipment	**(166,708)**	(127,035)
Proceeds from disposal of property, plant and equipment	**4**	323
Placement of restricted bank balances	**(183)**	(548)
Proceeds from release of restricted bank balances	**866**	590
Repayment of finance lease receivables from fellow subsidiaries	**167**	582
Placement of bank deposits	**(36,938)**	(60,000)
Proceeds from release of bank deposits	**–**	45,000
Finance income under finance leases to a fellow subsidiary received	**11**	47
	(199,698)	(137,624)
NET CASH FROM FINANCING ACTIVITIES:		
Repayments of bank and other borrowings	**(131,024)**	(136,025)
Repayments of leases liabilities	**(2,982)**	–
New bank and other borrowings raised	**300,000**	147,520
Interest paid	**(28,163)**	(26,766)
Capital contribution by a non-controlling shareholder of a subsidiary	**–**	37,860
Dividend paid to a non-controlling shareholder of a subsidiary	**–**	(2,145)
Dividend paid to shareholders of the Company	**(12,977)**	–
	124,854	20,444
NET INCREASE IN CASH AND CASH EQUIVALENTS	**88,162**	49,844
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**505,091**	854,984
Effect of foreign exchange rate changes	**(517)**	(32)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by:		
Bank balances and cash	**592,736**	904,796

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2018 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statements of financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. No difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.33% per annum.

	At 1 January 2019 *US$'000*
Operating lease commitments disclosed as at 31 December 2018	8,345
Lease liabilities discounted at relevant incremental borrowing rates	8,041
Lease liabilities as at 1 January 2019	8,041
Analysed as	
Current	5,488
Non-current	2,553
	8,041

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *US$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**8,041**
By class:	
Land and buildings	**8,041**

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under HKFRS 16 at 1 January 2019**
	US$'000	*US$'000*	***US$'000***
Non-current Assets			
Right-of-use assets	–	8,041	**8,041**
Current Liabilities			
Lease liabilities	–	5,488	**5,488**
Non-current Liabilities			
Lease liabilities	–	2,553	**2,553**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2019	
	Leaching *US$'000* (Unaudited)	Smelting *US$'000* (Unaudited)
Sales of goods to external customers		
Copper cathodes	272,741	–
Blister copper	–	495,515
Copper anode	–	221,988
Sulfuric acid	–	56,041
Total	272,741	773,544
Geographical markets		
Mainland China	175,197	352,013
Hong Kong	–	250,086
Switzerland	21,860	60,815
Singapore	37,951	78,762
Africa	–	31,868
Luxemburg	37,733	–
Total	272,741	773,544
Timing of revenue recognition		
A point in time	272,741	773,544

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

	For the six months ended 30 June 2018	
	Leaching	Smelting
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Sales of goods to external customers		
Copper cathodes	327,747	–
Blister copper	–	691,915
Copper anode	–	56,642
Copper-cobalt alloy	–	6,065
Sulfuric acid	–	45,545
Total	327,747	800,167
Geographical markets		
Mainland China	152,195	293,517
Hong Kong	–	183,074
Switzerland	42,736	205,671
Singapore	85,063	72,274
Africa	1,297	45,631
Luxemburg	46,456	–
Total	327,747	800,167
Timing of revenue recognition		
A point in time	327,747	800,167

4. SEGMENT INFORMATION

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2019

	Leaching *US$'000* (Unaudited)	Smelting *US$'000* (Unaudited)	Consolidated *US$'000* (Unaudited)
Revenue from external sales	272,741	773,544	1,046,285
Inter-segment sales	–	24,236	24,236
Total segment revenue	272,741	797,780	1,070,521
Elimination			(24,236)
Revenue for the period			1,046,285
Segment profit	72,685	50,207	122,892
Unallocated income*			4,349
Unallocated expenses#			(6,144)
Profit for the period			121,097

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Six months ended 30 June 2018

	Leaching *US$'000* (Unaudited)	Smelting *US$'000* (Unaudited)	Consolidated *US$'000* (Unaudited)
Revenue from external sales	327,747	800,167	1,127,914
Inter-segment sales	–	18,187	18,187
Total segment revenue	327,747	818,354	1,146,101
Elimination			(18,187)
Revenue for the period			1,127,914
Segment profit	90,390	84,051	174,441
Unallocated income*			2,691
Unallocated expenses#			(11,504)
Profit for the period			165,628

* The unallocated income mainly represents the interest income arising from the bank deposits and bank balances of the Company, China Nonferrous Mining Holdings Limited ("CNMH"), a directly wholly-owned subsidiary of the Company which directly holds the Group's shareholdings in the subsidiaries in Zambia, China Nonferrous Mining Hong Kong Holdings Limited ("CNMHK"), a directly controlling subsidiary of the Company which directly holds the Group's shareholdings in two subsidiaries in Democratic Republic of Congo ("DRC"), and China Nonferrous Mining Hong Kong Investment Limited ("CNMHKI"), a directly wholly-owned subsidiary of the Company which directly holds the Group's shareholdings in two subsidiaries in DRC (collectively referred to as the "Holding Companies").

The unallocated expenses mainly represent the administrative expenses, interest expenses and income tax expenses of the Holding Companies.

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 30 June 2019 **_US$'000_** **(Unaudited)**	At 31 December 2018 _US$'000_ (Audited)
Segment assets		
– Leaching	**738,319**	675,198
– Smelting	**2,099,155**	1,897,813
Total segment assets	**2,837,474**	2,573,011
Unallocated assets*	**251,695**	262,771
Elimination	**(4,858)**	(2,777)
Consolidated total assets	**3,084,311**	2,833,005
Segment liabilities		
– Leaching	**380,468**	399,482
– Smelting	**1,196,990**	1,028,962
Total segment liabilities	**1,577,458**	1,428,444
Unallocated liabilities*	**123,311**	110,783
Elimination	**(4,858)**	(2,777)
Consolidated total liabilities	**1,695,911**	1,536,450

* The unallocated assets and liabilities mainly represent those of the Holding Companies.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Foreign exchange loss, net	**7,512**	2,463
Loss on disposal of property, plant and equipment, net	**130**	90
Impairment losses of input value added tax ("VAT") receivables	**2,287**	10,917
Loss (gain) arising on change in fair value of financial assets/ liabilities at FVTPL		
– Derivatives	**1,557**	(3,728)
– Trade receivables at FVTPL	**11,047**	12,145
– Trade payables designated at FVTPL	**(18,416)**	(15,805)
	4,117	6,082

6. OTHER EXPENSES

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Expense on suspension of production (note)	**–**	11,199
Others	**3,157**	1,540
	3,157	12,739

Note: The amount represented the operating expenses, including depreciation of property, plant and equipment, incurred during the year in relation to the Baluba Center Mine of CNMC Luanshya Copper Mines PLC ("Luanshya"), which has been suspended as a result of the force majeure event that Zambia has reduced the power supply in September 2015. The Baluba Center Mine resumed production in July 2018 and no further expense on suspension of production has been recognised since then.

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**30,350**	26,175
Unwinding of the discount	**571**	371
	30,921	26,546
Less: Amount capitalised in construction in progress arose on the borrowings specifically for the purpose of qualifying assets	**(21,227)**	(15,590)
	9,694	10,956

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Income tax in DRC	**11,099**	22,260
Income tax in Zambia	**24,951**	32,459
	36,050	54,719
Deferred tax		
Current period	**10,769**	12,734
Total income tax expense	**46,819**	67,453

On 26 December 2018, the Parliament of Zambia enacted "An Act to amend the Income Tax Act." with effect from 1 January 2019, as a result, the mineral royalty under the Mines and Minerals Development Act 2015, which was deductible before 1 January 2019, is no longer allowed to deduct from profit before tax.

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**49,901**	53,015
Depreciation of right-of-use assets	**2,680**	–
Total depreciation	**52,581**	53,015
Less: capitalised in inventories	**(47,943)**	(46,175)
capitalised in construction in progress	**(1,900)**	(697)
	2,738	6,143
Cost of inventories recognised as an expense	**798,868**	816,110

10. DIVIDENDS

During the six months ended 30 June 2019, a final dividend of US₵0.8384 per share in respect of the year ended 31 December 2018 (six months ended 30 June 2018: US₵0.6124 per share) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the six months ended 30 June 2019 amounted to US$29,252,000 (six months ended 30 June 2018: US$21,367,000).

The directors of the Company ("Directors") do not recommend interim dividend for the current period (six months ended 30 June 2018: nil).

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share *(in US$'000)*	**76,315**	98,875
Number of ordinary shares for the purpose of basic earnings per share *(in '000)*	**3,489,036**	3,489,036
Earnings per share		
– Basic and diluted *(US cents per share)*	**2.19**	2.83
– Basic and diluted *(equivalent to approximately HK$ per share)*	**0.17**	0.22

During the six months ended 30 June 2019 and 2018, there was no potential ordinary share outstanding with diluted impact.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment and incurred construction costs in an aggregate amount of US$176,842,000 (six months ended 30 June 2018: US$139,701,000 (unaudited)).

13. INVENTORIES

	At 30 June 2019	At 31 December 2018
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Raw materials	**278,069**	366,262
Spare parts and consumables	**91,450**	94,704
Work in progress	**59,446**	66,179
Finished goods	**9,282**	13,074
	438,247	540,219

14. TRADE RECEIVABLES AT AMORTISED COST/TRADE RECEIVABLES AT FVTPL

	At 30 June 2019 **US$'000** **(Unaudited)**	At 31 December 2018 US$'000 (Audited)
Trade receivables at amortised cost	**10,685**	5,863
Less: Allowance for credit losses	**(2,840)**	(2,840)
	7,845	3,023
Trade receivables at FVTPL	**131,672**	138,616

As at 30 June 2019 and 31 December 2018, all trade receivables at amortised cost/trade receivables at FVTPL are from contracts with customers.

The following is an aging analysis of trade receivables at amortised cost, net of allowance for credit losses, presented based on the invoice dates:

	At 30 June 2019 **US$'000** **(Unaudited)**	At 31 December 2018 US$'000 (Audited)
0 to 30 days	**6,574**	1,542
31 to 90 days	**121**	1,021
91 to 180 days	**836**	258
181 to 365 days	**314**	202
	7,845	3,023

The following is an aging analysis of trade receivables at FVTPL, presented based on the invoice dates:

	At 30 June 2019 **US$'000** **(Unaudited)**	At 31 December 2018 US$'000 (Audited)
0 to 30 days	**126,995**	129,931
31 to 90 days	**4,677**	7,996
91 to 180 days	**–**	689
	131,672	138,616

14. TRADE RECEIVABLES AT AMORTISED COST/TRADE RECEIVABLES AT FVTPL (CONTINUED)

The Group sells copper products under provisional pricing arrangements where final prices are set at a specified date based on market prices. Revenues are recognised using forward prices for the expected date of final settlement. The contractual cash flows of trade receivable vary depending on the market price at the date of final settlement, and do not represent solely payments of principal and interests on the principal amount outstanding. Consequently, these trade receivables resulted from provisionally priced contracts are measured at FVTPL.

Included in the Group's trade receivables at amortised cost/trade receivables at FVTPL are balances with the following related parties:

	At 30 June 2019	At 31 December 2018
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade receivables at amortised cost:		
Fellow subsidiaries	**930**	940
Trade receivables at FVTPL:		
Fellow subsidiaries	**71,742**	90,745
A subsidiary of a non-controlling shareholder of a subsidiary	**30,227**	39,438
	101,969	130,183

The above balances with related parties are unsecured, interest-free and are receivable according to the relevant sales contracts.

15. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2019	At 31 December 2018
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Non-current:		
Deposits for property, plant and equipment	**47,566**	18,091
Deposits in connection with the restoration and rehabilitation obligations	**2,139**	2,139
Premium for electricity supply	**10,082**	10,301
Input VAT receivables, net*	**60,646**	60,251
	120,433	90,782
Current:		
Prepayments for inventories and others	**62,747**	34,384
Input VAT receivables, net*	**177,107**	141,966
Deposits in futures margin accounts	**30,800**	22,929
Other receivables	**12,182**	5,289
	282,836	204,568

* The gross carrying amount of input VAT receivables is US$257,926,000 (31 December 2018: US$220,103,000). Impairment provision is estimated based on the present value of the estimated future cash flows, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the input VAT receivables for which the estimates of future cash flows have not been adjusted. An impairment provisions amounting to US$20,173,000 (31 December 2018: US$17,886,000) in aggregate have been made on input VAT receivables amounting to US$226,432,000 (31 December 2018: US$195,344,000) generated in Zambia and US$31,494,000 (31 December 2018: US$24,759,000) generated in DRC.

Allowance for input VAT receivables

The movement in the allowance for input VAT receivables during the six months ended 30 June 2019 was as follows:

	US$'000
Balance at 31 December 2018	17,886
Impairment losses recognised	2,287
Balance at 30 June 2019	**20,173**

15. PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

Included in the Group's prepayments, other receivables and other assets are balances with the following related parties:

	At 30 June 2019 ***US$'000*** **(Unaudited)**	At 31 December 2018 *US$'000* (Audited)
China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC")	**41**	41
Fellow subsidiaries	**1,581**	2,035
A subsidiary of a non-controlling shareholder of a subsidiary	**192**	4,378
	1,814	6,454

The balances of prepayments for inventories and others with related parties are unsecured, interest-free and are settled according to the relevant agreements, the remaining balances with related parties are unsecured, interest-free and are receivable on demand.

16. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL

	At 30 June 2019 ***US$'000*** **(Unaudited)**	At 31 December 2018 *US$'000* (Audited)
Trade payables	**117,579**	118,229
Trade payables designated at FVTPL	**70,881**	131,760

16. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL (CONTINUED)

The following is an aging analysis of trade payables, presented based on the invoice dates:

	At 30 June 2019	At 31 December 2018
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0 to 30 days	**51,666**	49,265
31 to 90 days	**15,989**	14,769
91 to 180 days	**3,876**	4,812
181 to 365 days	**1,365**	1,961
1–2 years	**–**	344
Over 2 years	**44,683**	47,078
	117,579	118,229

The following is an aging analysis of trade payables designated at FVTPL, presented based on the invoice dates:

	At 30 June 2019	At 31 December 2018
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0 to 30 days	**52,594**	80,155
31 to 90 days	**15,252**	19,738
91 to 180 days	**3,035**	21,171
181 to 365 days	**–**	10,696
	70,881	131,760

The trade payables arising from provisional pricing arrangements of copper concentrates purchases are settled at final prices set at a specified future period after shipment by suppliers based on prevailing spot prices. These trade payables are designated at FVTPL on contract by contract basis.

The average credit period on purchases of certain goods is within 3 months and most payables are paid within the credit time frame.

16. TRADE PAYABLES/TRADE PAYABLES DESIGNATED AT FVTPL (CONTINUED)

Included in the Group's trade payables/trade payables designated at FVTPL are balances with the following related parties:

	At 30 June 2019 US$'000 (Unaudited)	At 31 December 2018 US$'000 (Audited)
Trade payables:		
Fellow subsidiaries	**37,366**	39,184
A subsidiary of a non-controlling shareholder of a subsidiary	**1,112**	–
	38,478	39,184
Trade payables designated at FVTPL:		
Fellow subsidiaries	**13,062**	23,826

The above balances with related parties are unsecured, interest-free and are repayable within three months.

17. OTHER PAYABLES AND ACCRUED EXPENSES

	At 30 June 2019 US$'000 (Unaudited)	At 31 December 2018 US$'000 (Audited)
Payables for property, plant and equipment	**42,328**	23,093
Dividend payable to the shareholders of the Company	**16,275**	–
Other tax payables	**7,516**	4,087
Payroll payables	**8,391**	10,670
Accrued expenses	**16,518**	14,017
	91,028	51,867

17. OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

Included in the Group's other payables and accrued expenses are balances with the following related parties:

	At 30 June 2019 US$'000 (Unaudited)	At 31 December 2018 US$'000 (Audited)
CNMC	**17,310**	1,822
Fellow subsidiaries	**20,122**	5,020
	37,432	6,842

The above balances with related parties are unsecured, interest-free and are repayable on demand.

18. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2019, the Group obtained new bank and other borrowings amounting to US$300,000,000 (six months ended 30 June 2018: US$147,520,000), which included a loan of US$20,000,000 carrying a fixed interest rate of 6%, a loan of US$80,000,000 carrying a variable interest rate of 3-months LIBOR plus 2.0% and a loan of US$200,000,000 carrying a variable interest rate of 3-months LIBOR plus 2.3%, and repaid bank and other borrowings amounting to US$131,024,000 (six months ended 30 June 2018: US$136,025,000).

The Group's borrowings included a loan from a non-controlling shareholder of a subsidiary of US$20,580,000 (31 December 2018: nil), which is unsecured and bears interest at a rate of 6% per annum (six months ended 30 June 2018: nil), and a loan of US$130,161,000 (31 December 2018: US$138,000,000) from a fellow subsidiary, which is unsecured and bear interest at rate varies based on 6 months LIBOR plus 3.7% per annum (six months ended 30 June 2018: 4.0%).

19. CAPITAL COMMITMENTS

	At 30 June 2019 US$'000 (Unaudited)	At 31 December 2018 US$'000 (Audited)
Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment	**289,882**	342,919

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 *US$'000*	Level 2 *US$'000*	Level 3 *US$'000*	Total *US$'000*
30 June 2019				
Copper future contracts *(note a)*	**–**	**1,598**	**–**	**1,598**
Trade receivables at FVTPL *(note b)*	**–**	**131,672**	**–**	**131,672**
Trade payables designated at FVTPL *(note b)*	**–**	**(70,881)**	**–**	**(70,881)**
31 December 2018				
Copper future contracts *(note a)*	–	3,413	–	3,413
Trade receivables at FVTPL *(note b)*	–	138,616	–	138,616
Trade payables designated at FVTPL *(note b)*	–	(131,760)	–	(131,760)

Notes:

a. Calculated based on the initial transaction prices and quoted prices in an active market.

b. Calculated based on the quoted prices in an active market and the estimated grades of copper, gold and silver in the Group's copper products.

There were no transfers between Level 1 and 2 during the six months ended 30 June 2019.

Except as detailed above, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

21. RELATED PARTY TRANSACTIONS

The Company is ultimately controlled by the People's Republic of China (the "PRC") government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Other than the transactions and balances with related parties disclosed elsewhere in these condensed consolidated financial statements, during the periods, the Group had the following significant transactions with related parties:

(1) Transactions with government-related entities

(a) Transactions with CNMC and its subsidiaries

			Six months ended 30 June	
			2019	2018
			US$'000	*US$'000*
	Notes	**Related parties**	**(Unaudited)**	(Unaudited)
Sales of:				
– Blister copper	(i) (iii)	Fellow subsidiaries	**148,650**	245,560
– Copper cathodes	(i) (iii)	Fellow subsidiaries	**174,602**	152,492
– Copper anode	(i) (iii)	Fellow subsidiaries	**124,050**	36,980
– Sulfuric acid	(ii)	Fellow subsidiaries	**14,496**	4,256
– Other materials	(i)	Fellow subsidiaries	**200**	282
Service income	(i)	A Fellow subsidiary	**83**	–
Finance income earned under finance leases	(i) (ii)	A Fellow subsidiary	**11**	47
Purchases of:				
– Plant and equipment	(i)	Fellow subsidiaries	**(48,616)**	(47,629)
– Copper concentrate	(i) (iv)	Fellow subsidiaries	**(140,823)**	(128,260)
– Materials	(i)	Fellow subsidiaries	**(44,298)**	(17,753)
– Services	(i)	Fellow subsidiaries	**(27,334)**	(25,120)
– Electricity	(i)	A fellow subsidiary	**(13,149)**	(13,149)
– Freight and transportation	(i)	A fellow subsidiary	**(44)**	(10,081)
Rental expenses	(i)	Fellow subsidiaries	**–**	(2,854)
Guarantee fees	(i)	CNMC	**–**	(461)
Interest expenses	(i)	CNMC and a fellow subsidiary	**(8,697)**	(4,839)

Notes:

(i) These transactions were conducted in accordance with terms of the relevant agreements.

(ii) The finance income earned under finance leases arose from the finance leases to a fellow subsidiary.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Transactions with government-related entities (Continued)

(a) Transactions with CNMC and its subsidiaries (Continued)

Notes: (Continued)

(iii) Included in the sales amount of blister copper, copper cathodes and copper anode, gains arising from provisional pricing arrangement are US$457,000, US$596,000 (loss) and US$1,187,000 (six months ended 30 June 2018: US$2,797,000 (loss), US$2,982,000 and US$507,000 (loss)), respectively.

(iv) Included in the purchase amount of copper concentrate, gain arising from provisional pricing arrangement is USS$1,743,000 (six months ended 30 June 2018: US$860,000 (loss)).

In addition to the above, the Group also had the following transactions with CNMC and its subsidiaries:

- CNMC provided guarantees to banks for granting unsecured loans to the Group without charging any consideration.

- On 1 July 2009, a subsidiary of the Company, CCS, entered into an agreement with Fifteen MCC Africa Construction & Trade Ltd. ("Fifteen MCC Africa"), a fellow subsidiary, (the "Fifteen MCC Africa Agreement") pursuant to which that subsidiary agreed to provide certain living quarters to Fifteen MCC Africa on a free of charge basis. Fifteen MCC Africa shall pay for the use of water and electricity and other expenses such as repair and any applicable tax in Zambia. The Fifteen MCC Africa Agreement shall remain for as long as CCS is in existence. As Fifteen MCC Africa provides construction as well as equipment repair and maintenance services to CCS on an ongoing basis, it requires accommodation for its staff based in Zambia.

- On 1 July 2017, CCS entered into a rental agreement with Zambia-China Economic & Trade Cooperation Zone Development Co., Ltd ("ZCCZ"), a fellow subsidiary, (the ZCCZ Agreement"), pursuant to which ZCCZ rented related properties to CCS. As at 30 June 2019, the related right-of-use assets and lease liabilities are US$6,048,000 and US$5,874,000, respectively.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Transactions with government-related entities (Continued)

(b) Transactions with other government-related entities

			Six months ended 30 June	
			2019	2018
			US$'000	*US$'000*
	Note	**Related parties**	**(Unaudited)**	(Unaudited)
Sales of:				
– Blister copper	(i)(ii)	A subsidiary of a non-controlling shareholder of a subsidiary	**122,040**	160,285
– Copper Anode	(i)(ii)	A subsidiary of a non-controlling shareholder of a subsidiary	**102,028**	19,662
Interest Expenses	(i)	A non-controlling shareholder of a subsidiary	**(580)**	–

Note:

(i) These transactions were conducted in accordance with terms of the relevant agreements.

(ii) Included in the sales amount of blister copper and copper anode, losses arising from provisional pricing arrangement are US$5,601,000 and US$1,966,000 (six months ended 30 June 2018: US$1,888,000 and US$450,000), respectively.

In addition to the above, the Group has entered into various transactions, amongst others, including deposit placements, borrowings and other bank facilities, with certain banks and financial institutions which are PRC government-related entities in its ordinary course of business. In view of the nature of these transactions, the Directors are of the opinion that separate disclosures would not be meaningful.

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Transactions with a subsidiary of a non-controlling shareholder of a subsidiary

	Note	**Related parties**	**Six months ended 30 June 2019** **US$'000** **(Unaudited)**	Six months ended 30 June 2018 *US$'000* (Unaudited)
Purchases of:				
– Materials	(i)	A subsidiary of a non-controlling shareholder of a subsidiary	**(9,758)**	(1,802)

Note:

(i) These transactions were conducted in accordance with terms of the relevant agreements.

(3) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June 2019 **US$'000** **(Unaudited)**	Six months ended 30 June 2018 *US$'000* (Unaudited)
Short-term benefits	**772**	678
Post-employment benefits	**34**	36
	806	714

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

中國有色礦業有限公司
China Nonferrous Mining Corporation Limited