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JINCHUAN 金川

JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD

金川集團國際資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2362)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

The board of Directors (the “Board”) of Jinchuan Group International Resources Co. Ltd (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2014 together with the comparative figures in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 US\$'000	2013 US\$'000
CONTINUING OPERATIONS			
Revenue	4	652,475	742,242
Cost of sales		<u>(632,201)</u>	<u>(632,313)</u>
Gross profit		20,274	109,929
Exchange gain arising from amount due to a fellow subsidiary		–	190,737
Other income		–	249
Other gains and losses	6	(13,604)	1,684
Selling and distribution costs		(28,581)	(34,100)
Administrative expenses		(32,225)	(30,819)
Impairment loss	7	(370,053)	–
Other expenses	8	–	(14,037)
Finance income		917	1,064
Finance costs	9	<u>(9,007)</u>	<u>(6,506)</u>
(Loss) profit before taxation	10	(432,279)	218,201
Income tax credit (expense)	11	<u>132,776</u>	<u>(14,364)</u>
(Loss) profit for the year from continuing operations		<u>(299,503)</u>	<u>203,837</u>

	Note	2014 US\$'000	2013 US\$'000
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		<u>–</u>	<u>2,805</u>
(Loss) profit for the year		<u>(299,503)</u>	<u>206,642</u>
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		(2,091)	(20,977)
Translation reserve released upon disposal of subsidiaries		–	(2,314)
Fair value change on cash flow hedges, net of income tax		<u>2</u>	<u>(3)</u>
Other comprehensive expense for the year		<u>(2,089)</u>	<u>(23,294)</u>
Total comprehensive (expense) income for the year		<u><u>(301,592)</u></u>	<u><u>183,348</u></u>
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(230,512)	201,072
– from discontinued operations		<u>–</u>	<u>2,805</u>
(Loss) profit for the year attributable to owners of the Company		(230,512)	203,877
(Loss) profit for the year attributable to non-controlling interests		<u>(68,991)</u>	<u>2,765</u>
		<u><u>(299,503)</u></u>	<u><u>206,642</u></u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(232,601)	180,587
Non-controlling interests		<u>(68,991)</u>	<u>2,761</u>
		<u><u>(301,592)</u></u>	<u><u>183,348</u></u>
(Loss) earnings per share	12		
From continuing and discontinued operations			
Basic (US cents)		<u>(5.30)</u>	<u>4.69</u>
Diluted (US cents)		<u>(1.80)</u>	<u>2.98</u>
From continuing operations			
Basic (US cents)		<u>(5.30)</u>	<u>4.62</u>
Diluted (US cents)		<u>(1.80)</u>	<u>2.94</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 US\$'000	2013 US\$'000
Non-current assets			
Property, plant and equipment		638,017	615,594
Mineral rights and other intangible assets		558,097	923,236
Exploration and evaluation assets		337,508	315,053
Other non-current assets		25,518	26,754
		<u>1,559,140</u>	<u>1,880,637</u>
Current assets			
Inventories		98,036	70,664
Trade and other receivables	13	136,726	234,902
Amount due from ultimate holding company		3	2
Derivative financial instruments		653	244
Tax recoverable		—	19
Restricted cash deposits		9,628	14,712
Bank balances and cash		60,083	58,739
		<u>305,129</u>	<u>379,282</u>
Current liabilities			
Trade and other payables	14	90,823	103,143
Amount due to ultimate holding company		58	29
Amount due to an intermediate holding company		105,234	—
Amount due to a fellow subsidiary		20,014	36
Borrowings		51,433	196,694
Short-term provisions		6,817	6,121
Derivative financial instruments		—	257
Tax payable		3,610	8,603
		<u>277,989</u>	<u>314,883</u>
Net current assets		<u>27,140</u>	<u>64,399</u>
Total assets less current liabilities		<u>1,586,280</u>	<u>1,945,036</u>

	<i>Notes</i>	2014 US\$'000	2013 <i>US\$'000</i>
Non-current liabilities			
Borrowings		133,094	50,157
Long-term provisions		23,953	20,396
Deferred tax liabilities		312,481	454,506
		<hr/> 469,528	<hr/> 525,059
Net assets		<u>1,116,752</u>	<u>1,419,977</u>
Capital and reserves			
Share capital	15	5,578	5,578
Perpetual subordinated convertible securities		1,089,084	1,089,084
Reserves		(110,953)	121,648
		<hr/> 983,709	<hr/> 1,216,310
Equity attributable to owners of the Company		983,709	1,216,310
Non-controlling interests		133,043	203,667
		<hr/> 1,116,752	<hr/> 1,419,977
Total equity		<u>1,116,752</u>	<u>1,419,977</u>

1. GENERAL

The Company is a listed public company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s ultimate holding company is 金川集團股份有限公司 (Jinchuan Group Co., Ltd) (“JCG”), which is established in the People’s Republic of China (“PRC”).

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are the mining operation and the trading of mineral and metal products. Previously, the Group was also engaged in property development and investment and manufacture and trading of cosmetic and related products, as well as the provision of beauty technical and training services, which were discontinued in 2013.

The consolidated financial statements are presented in United States dollars (“US\$”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

Pursuant to the sale and purchase agreement entered into between the Company and Jintai Mining Investment Limited (“Jintai”), a fellow subsidiary of the Company and an indirect wholly-owned subsidiary of the Company’s ultimate holding company, on 27 August 2013, the Company agreed to acquire the entire equity interests in Jin Rui and settle all outstanding shareholder’s loans due by Jin Rui to Jintai at a total consideration of US\$1,290,000,000. The consideration was satisfied by the allotment and issue of 1,595,880,000 new ordinary shares of the Company at an issue price of HK\$1.00 per share and the issue of perpetual subordinated convertible securities (“Convertible Securities”) of the Company in the aggregate amount of US\$1,085,400,000 (the “Combination”). Metorex (Proprietary) Limited (“Metorex”) (together with its subsidiaries, collectively referred to as “Metorex Group”), a subsidiary of Jin Rui, is engaged in metal mining activities, primarily copper and cobalt production. At the date of completion, the fair value of the new ordinary shares issued by the Company, which was determined based on the quoted market price on 14 November 2013, amounted to US\$206,646,000. The fair value of Convertible Securities issued by the Company, which was determined based on a valuation carried out on that day by Asset Appraisal Limited (“AAL”), independent valuers not connected with the Group, amounted to US\$1,089,084,000.

Since the Group and Jin Rui are both under the common control of the Company's ultimate holding company prior to and after the Combination, the Combination of Jin Rui was considered as a business combination under common control, and therefore has been accounted for using merger accounting, as if the Combination had occurred on 30 November 2011, being Jin Rui's date of incorporation, by Jintai, and thereby the Group and Jin Rui first came under the common control of the Company's ultimate holding company. The assets and liabilities of Jin Rui are included in the consolidated financial statements since 30 November 2011 or since the date of incorporation, where this is shorter, as if Jin Rui had been combined from the date when Jin Rui first came under the control of the ultimate controlling party of the Group. The assets and liabilities of Metorex Group are included in the consolidated financial statements since the date of acquisition by Metorex Holdings (Proprietary) Limited ("Metorex Holdings") (formerly known as Newshelf 1124 (Proprietary) Limited), a subsidiary of Jin Rui, during the year ended 31 December 2012, which was settled in cash by Metorex Holdings. Accordingly, the consolidated financial statements have been prepared in accordance with the principles of merger accounting.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied for the first time in the current year the following amendments to IFRSs and a new Interpretation.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities
Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
IFRIC - INT 21	Levies

Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities"

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entities" for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 32 “Offsetting financial assets and financial liabilities”

The Group has applied the amendments to IAS 32 “Offsetting financial assets and financial liabilities” for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 “Recoverable amount disclosures for non-financial assets”

The Group has applied the amendments to IAS 36 “Recoverable amount disclosures for non-financial assets” for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 “Fair value measurements”.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to IAS 39 “Novation of derivatives and continuation of hedge accounting”

The Group has applied the amendments to IAS 39 “Novation of derivatives and continuation of hedge accounting” for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

IFRIC - INT 21 “Levies”

The Group has applied IFRIC - INT 21 “Levies” for the first time in the current year. IFRIC - INT 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC - INT 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group’s consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments ¹
IFRS 14	Regulatory deferral accounts ²
IFRS 15	Revenue from contracts with customers ³
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations ⁵
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation ⁵
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants ⁵
Amendments to IAS 19	Defined benefit plans: Employee contributions ⁴
Amendments to IAS 27	Equity method in separate financial statements ⁵
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁵
Amendments to IFRSs	Annual improvements to IFRSs 2010 - 2012 cycle ⁶
Amendments to IFRSs	Annual improvements to IFRSs 2011 - 2013 cycle ⁴
Amendments to IFRSs	Annual improvements to IFRSs 2012 - 2014 cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

IFRS 9 “Financial instruments”

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 “Financial instruments: Recognition and measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors do not anticipate that the adoption of HKFRS 9 in the future will have a significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities.

Amendments to IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortisation”

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the unit of production (“UOP”) method for depreciation and amortisation for its property, plant and equipment and amortisation for its intangible assets. The directors of the Company believe that the UOP method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group’s consolidated financial statements.

The Directors anticipate that the application of the other new and revised IFRSs will have no material impact on the Group’s financial performance and positions.

4. REVENUE

Revenue represents revenue arising from sales of goods. An analysis of the Group’s revenue from continuing operations for the year is as follows:

	2014	2013
	US\$’000	US\$’000
Continuing operations:		
Sales of copper	574,170	688,033
Sales of cobalt	78,305	54,209
	652,475	742,242

5. SEGMENT INFORMATION

IFRS 8 “Operating segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to the segment and assess its performance.

The CODM has been identified as the executive directors of the Company. They review the Group’s internal reporting for the purpose of resource allocation and assessment of segment performance.

The Group’s operating and reportable segments are as follows:

- Trading of mineral and metal products
- Mining operation, primarily copper and cobalt production

Segment revenues and results

The following is an analysis of the Group’s revenue and results by operating and reportable segments arising from continuing operations.

For the year ended 31 December 2014

	Trading of mineral and metal products <i>US\$'000</i>	Mining operation <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue	208,032	444,443	652,475
Segment results	(828)	(429,702)	(430,530)
Unallocated corporate income			521
Unallocated corporate expenses			(2,270)
Loss before taxation (continuing operations)			(432,279)

For the year ended 31 December 2013

	Trading of mineral and metal products <i>US\$'000</i>	Mining operation <i>US\$'000</i>	Total <i>US\$'000</i>
Segment revenue	307,506	434,736	742,242
Segment results	7,604	24,557	32,161
Unallocated corporate income			190,800
Unallocated corporate expenses			(4,760)
Profit before taxation (continuing operations)			218,201

Note: The accounting policies of operating segments are the same as the Group's accounting policies. Segment revenue and segment results comprise turnover from external customers and profit/loss before taxation of each segment (excluding exchange gains, finance income and other central administration costs), respectively.

Segment assets and liabilities

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

Segment assets

	2014 US\$'000	2013 <i>US\$'000</i>
Trading of mineral and metal products	81,836	184,589
Mining operation	1,779,651	2,068,033
Total segment assets	1,861,487	2,252,622
Unallocated corporate assets	2,782	7,297
Consolidated assets	<u>1,864,269</u>	<u>2,259,919</u>

Segment liabilities

	2014 US\$'000	2013 <i>US\$'000</i>
Trading of mineral and metal products	8,197	91,067
Mining operation	422,957	284,728
Total segment liabilities	431,154	375,795
Unallocated corporate liabilities	325,903	464,147
Consolidated liabilities	<u>757,057</u>	<u>839,942</u>

Note: Segment assets and segment liabilities comprise total assets (excluding tax recoverable, bank balances and other unallocated corporate assets) and total liabilities (excluding tax payable, deferred tax liabilities and other unallocated corporate liabilities) of each segment, respectively.

Other segment information

For the year ended 31 December 2014

	Trading of mineral and metal products	Mining operation	Unallocated	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amounts included in the measure of segment results and segment assets (continuing operations):				
Addition to non-current assets	114	167,947	1	168,062
Finance income	204	465	248	917
Finance costs	965	8,042	–	9,007
Impairment loss recognised in respect of property, plant and equipment	–	34,071	–	34,071
Impairment loss recognised in respect of mineral rights	–	333,982	–	333,982
Depreciation of property, plant and equipment	45	73,650	8	73,703
Amortisation of mineral rights and other intangible assets	–	46,417	–	46,417
Loss on disposal of property, plant and equipment	–	5	–	5
	<u>–</u>	<u>5</u>	<u>–</u>	<u>5</u>

For the year ended 31 December 2013

	Trading of mineral and metal products	Mining operation	Unallocated	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amounts included in the measure of segment results and segment assets (continuing operations):				
Addition to non-current assets	88	127,705	1	127,794
Finance income	181	820	63	1,064
Finance costs	1,473	5,033	–	6,506
Depreciation of property, plant and equipment	24	41,088	12	41,124
Amortisation of mineral rights and other intangible assets	–	29,955	–	29,955
Loss on disposal of property, plant and equipment	–	61	–	61
	<u>–</u>	<u>61</u>	<u>–</u>	<u>61</u>

Note: Non-current assets excluded loan receivable and rehabilitation trust fund.

Geographical information

Information about the Group's revenue from external customers is presented based on geographical location of the customers. Information about the Group's non-current assets (excluding loan receivable and rehabilitation trust fund) are based on geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Continuing operations:				
Hong Kong	–	–	204	129
Africa	113,082	130,008	1,553,506	1,875,377
Mainland China	286,337	361,716	–	–
Switzerland	253,056	250,518	–	–
	<u>652,475</u>	<u>742,242</u>	<u>1,553,710</u>	<u>1,875,506</u>

Information about major customers

The following is an analysis of revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group:

	2014 US\$'000	2013 US\$'000
Continuing operations:		
Largest customer (note a)	148,993	335,136
Second largest customer (note b)	130,013	152,017
Third largest customer (note b)	117,209	–
Fourth largest customer (note b)	110,579	130,008
Fifth largest customer (note c)	<u>76,504</u>	<u>–</u>

Notes:

- Revenue from the above customer, representing ultimate holding company of the Company, is arising from trading of mineral and metal products and mining operation.
- Revenue from the above customers is arising from mining operation.
- Revenue from the above customer is arising from trading of mineral and metal products.

6. OTHER GAINS AND LOSSES

	2014 US\$'000	2013 US\$'000
Continuing operations:		
Other exchange (losses) gains, net	(14,155)	1,745
Loss on disposal of property, plant and equipment	(5)	(61)
Others	556	–
	<u>(13,604)</u>	<u>1,684</u>

7. IMPAIRMENT LOSS

	2014 US\$'000	2013 US\$'000
Continuing operations:		
Impairment loss recognised in respect of mineral rights (note)	333,982	–
Impairment loss recognised in respect of property, plant and equipment (note)	34,071	–
Impairment loss recognised in respect of VAT recoverable	2,000	–
	<u>370,053</u>	<u>–</u>

Note:

During the year ended 31 December 2014, as a result of the unexpected prolonged decline in the copper prices, the Group carried out a review of the recoverable amount of the mineral rights and property, plant and equipment used in the Group's mining operation segment. The review resulted in the recognition of an impairment loss of US\$333,982,000 and US\$34,071,000 in respect of the Group's mineral rights and property, plant and equipment, which have been recognised in profit or loss. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are taking place. Accordingly, the recoverable amount of the relevant assets has been determined on the basis of their value in use. The recoverable amount was determined based on the cash flow projections derived from the current mine plan, production reserves and estimated future copper prices. The pre-tax discount rate used in measuring value in use was 11.8% and 12.6% for Zambia and the DRC respectively. No impairment assessment was performed in 2013 as there was no indication of an impairment.

8. OTHER EXPENSES

	2014 US\$'000	2013 US\$'000
Continuing operations:		
Expenses incurred for the Combination	–	3,745
Provision for unpaid payment of import duties and related surcharge in the Democratic Republic of Congo (the “DRC”) (<i>note</i>)	–	10,292
	<u>–</u>	<u>14,037</u>
	<u>–</u>	<u>14,037</u>

Note:

Under local DRC legislation, import taxes should be paid and an approval for consumption certificate should be obtained before goods are imported into the DRC and utilised for consumption. In the prior year, the Group initiated a change of import and clearing agents which discovered that certain goods previously imported by the Group into the DRC varied from the above legislation. Accordingly, the Group has made a provision for the unpaid import duties on such imported goods, additional surcharge on the variation from legislation, as well as fees for services provided by the new agents.

9. FINANCE COSTS

	2014 US\$'000	2013 US\$'000
Continuing operation:		
Interest on borrowings wholly repayable within five years	<u>9,007</u>	<u>6,506</u>

10. (LOSS) PROFIT BEFORE TAXATION

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Continuing operations:		
(Loss) profit before taxation has been arrived at after charging:		
Staff costs		
Directors' emoluments	1,224	345
Other staff costs		
– Salaries and other benefits	60,083	59,427
– Retirement benefits schemes contribution	5,130	6,350
	<u>66,437</u>	<u>66,122</u>
Auditors' remuneration	446	292
Depreciation of property, plant and equipment	73,703	41,124
Amortisation of mineral rights and other intangible assets	46,417	29,955
Impairment of trade receivables	310	–
Change in fair value of derivative financial instruments, net	666	(207)
Operating lease rentals in respect of equipment, premises and vehicles	677	591
and after crediting:		
Finance income	<u>917</u>	<u>1,064</u>

11. INCOME TAX CREDIT (EXPENSE)

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Continuing operations:		
The tax expense (credit) comprises:		
Current taxation		
Hong Kong Profits Tax	–	1,241
Corporate income tax in the DRC	2,508	320
Corporate income tax in Zambia	13,524	19,960
Under (over) provision in prior years	4,557	(107)
	<u>20,589</u>	<u>21,414</u>
Deferred taxation	<u>(153,365)</u>	<u>(7,050)</u>
	<u>(132,776)</u>	<u>14,364</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong for the year.

Corporate income tax in Mauritius, South Africa and the DRC are calculated at 15%, 28% and 30% (2013: 15%, 28% and 30%) on the estimated assessable profits for the year, respectively. Corporate income tax in Zambia is calculated at 36% in the current year (2013: 36%). The tax rate applicable to the assessable profits for the year ranged from 30% to 42%.

12. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

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

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	<u>(230,512)</u>	<u>203,877</u>
	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	4,350,753,051	4,350,753,051
Effect of dilutive potential ordinary shares:		
Convertible Securities	<u>8,466,120,000</u>	<u>2,484,926,631</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>12,816,873,051</u>	<u>6,835,679,682</u>

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2013 had taken into account the issue of 1,595,880,000 ordinary shares of the Company and a portion of the Convertible Securities, representing 1,579,256,973 potential ordinary shares of the Company, as if they had been issued upon the completion of the acquisition of Metorex Group on 16 January 2012.

From continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
(Loss) profit for the year attributable to owners of the Company	(230,512)	203,877
Less: Profit for the year from discontinued operations	<u>—</u>	<u>(2,805)</u>
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share from continuing operations	<u>(230,512)</u>	<u>201,072</u>

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operation was US0.07 cents for the year ended 31 December 2013 and diluted earnings per share for the discontinued operation was US0.04 cents for the year ended 31 December 2013, based on the profit for 2013 of US\$2,805,000 and the denominators detailed above for both basic and diluted earnings per share.

13. TRADE AND OTHER RECEIVABLES

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Trade and bill receivables	89,406	192,009
Less: Impairment	(310)	–
	89,096	192,009
Other receivables and prepayments	6,990	17,701
Loan to a DRC state-owned power company		
– current	2,000	2,000
Value-added tax recoverable	38,640	23,192
	136,726	234,902

Included in trade and other receivables as at 31 December 2014 was an amount due from ultimate holding company of US\$47,088,000 (2013: US\$146,000,000), which was of trade nature. The Group provided its ultimate holding company with a credit period ranging from 180 days to 360 days.

The Group provided customers (other than its ultimate holding company) with a credit period ranging from 15 days to 180 days. Before accepting new customers, the Group uses a credit bureau to perform a credit assessment to assess the potential customers' credit limit and credit quality.

Included in trade and bill receivables as at 31 December 2014 was an amount of US\$1,832,000 (2013: US\$2,417,000) which arose from provisional pricing arrangements. The amount of provisional pricing arrangements represents the difference between the estimated average price up to the date of final pricing and the quoted price on the date of recognition of revenue when title and risks and rewards of the mineral and metal products are passed to customers.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has significant concentration of credit risk where a debtor, being the ultimate holding company of the Company, constitutes 53% (2013: 75%) of the Group's trade and bill receivables. As at 31 December 2014, 45% (2013: 72%) of the Group's trade and bill receivables was covered by letters of credit issued by banks of the Company's ultimate holding company.

The following is an aged analysis of trade and bill receivables, net of impairment, presented based on invoice date at the end of the reporting period.

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Within 3 months	63,880	117,819
4 to 6 months	11,123	64,371
7 to 12 months	7,105	9,819
Over 1 year	6,988	–
	89,096	192,009

Included in trade receivables is a receivable of US\$6,988,000 (2013: nil) which is past due as at the end of the reporting date and is regarded as not impaired as there has not been a significant change in the credit standing of the debtor. The Group does not hold any collateral over the receivable. The receivable is less than 4 months past due.

The movements in provision for impairment of trade receivables are as follows:

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
At 1 January	–	1,065
Impairment loss recognised on trade receivables	310	250
Disposal of subsidiaries	–	(1,315)
	<hr/>	<hr/>
At 31 December	310	–
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2014, included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of US\$310,000 with a carrying amount before provision of US\$310,000 (2013: nil).

The individually impaired trade receivables relate to customers that were in default or delinquency in principal payments and none of the receivables was expected to be recovered.

14. TRADE AND OTHER PAYABLES

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Trade payables	54,658	52,012
Other payables and accruals	36,165	51,131
	<hr/>	<hr/>
	90,823	103,143
	<hr/> <hr/>	<hr/> <hr/>

Included in other payables and accruals are accrual for freight charges, export clearing charges, provision for unpaid import duties and related surcharge in the DRC, and other general operation related payables.

Included in trade payables as at 31 December 2014 was US\$1,811,000 (2013: US\$2,418,000) which arose from provisional pricing arrangements. The amount of the provisional pricing arrangements represents the difference between the estimated average price up to the date of final pricing and the quoted price on the date of recognition of inventory when title and risks and rewards of mineral and metal products passed from suppliers to the Group.

The following is an aged analysis of trade payables based on the invoice date at the end of the reporting period.

	2014 US\$'000	2013 <i>US\$'000</i>
Within 3 months	51,598	46,743
4 to 6 months	1,995	4,454
7 to 12 months	785	815
Over 1 year	280	–
	<u>54,658</u>	<u>52,012</u>

The credit period on purchases of goods ranges from current to 90 days.

15. SHARE CAPITAL

The movements in share capital of the Company are as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2013	5,000,000,000	50,000
Increase in authorised share capital (<i>note a</i>)	<u>15,000,000,000</u>	<u>150,000</u>
At 1 January 2014 and 31 December 2014	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2013	2,754,873,051	27,549
Issue of shares (<i>note b</i>)	<u>1,595,880,000</u>	<u>15,959</u>
At 1 January 2014 and 31 December 2014	<u>4,350,753,051</u>	<u>43,508</u>

Shown in the consolidated financial statements as:

	Amount US\$'000
At 31 December 2013 and 2014	<u>5,578</u>

Notes:

- (a) Pursuant to an ordinary resolution approved at the extraordinary general meeting of the Company on 26 September 2013, the authorised share capital of the Company was increased from HK\$50,000,000 (equivalent to US\$6,410,000) to HK\$200,000,000 (equivalent to US\$25,640,000) by the creation of an additional 15,000,000,000 ordinary shares each ranking pari passu in all respect.
- (b) Pursuant to the sale and purchase agreement for the Combination, part of the consideration for the Combination was satisfied by the allotment and issuance of 1,595,880,000 new ordinary shares of the Company. These shares were issued at HK\$1.00 per share on 14 November 2013. The fair value of those shares, which was determined based on the quoted market price on 14 November 2013, amounted to US\$206,646,000.

16. COMMITMENTS

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Capital expenditure in respect of property, plant and equipment, mineral rights and other intangible assets and exploration and evaluation assets		
– authorised but not contracted for	31,522	118,248
– contracted for but not provided	113,679	216,377
	<u>145,201</u>	<u>334,625</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group had completely turned into a pure mining play after its acquisition of the Southern African high grade copper and cobalt assets held by Metorex Group in November 2013. These assets provide a wide spectrum of mining assets at different stages, ranging from operating mines generating steady cash flow, development projects in the pipeline bringing growth in the short term and exploration projects that contain abundant mineral resources and reserves.

The base metal commodity prices fluctuated extensively since the above acquisition of copper and cobalt deposits by the Group. In particular, the copper price declined considerably in the second half year of 2014. Such drop in copper price over the year under review led to a few adverse changes to the Group's mining operation, namely, the decrease in copper revenue, reassessment of LOM plans, adjustment to reserves and the resultant substantial non-cash impairment loss on mineral rights and related operating assets. The mineral and metal products trading operations were less affected by the decline in copper price. However, both the volume and gross margin of the trades during the year under review were comparatively lower than that of 2013.

Mining Operation

Our Mining Operation segment is represented by the Metorex Group, which is headquartered in South Africa. The Metorex Group has majority control over two operating and profit generating mines in Africa which are (i) Ruashi Mine, a copper and cobalt mine located in the DRC and (ii) Chibuluma South Mine (including the Chifupu copper deposit), a copper mine located in Zambia. For the year ended 31 December 2014, the Group produced 54,060 tonnes of copper and 3,885 tonnes of cobalt, and sold 53,482 tonnes of copper and 3,874 tonnes of cobalt which generated sales of US\$365.4 million and US\$79.0 million respectively.

The Metorex Group also has control over the Kinsenda Project, a development brownfield copper project under construction and located in the DRC, and two advanced stage exploration projects located in the DRC, namely (i) Musonoi Project, which is a greenfield copper and cobalt project; and (ii) Lubembe Project, which is a greenfield copper project.

Trading of Mineral and Metal Products

Effective for the year of 2014, the Group has renewed its annual contracts with an affiliate of a Zambian producer to purchase approximately 20,000 tonnes of copper blisters; and with an European supplier to purchase approximately 55,000 tonnes of copper concentrates from Outer Mongolia in 2014.

For the year ended 31 December 2014, the Group's international trade business purchased and sold a total of approximately 20,017 tonnes (2013: 17,629 tonnes) of copper blisters and 55,074 tonnes (2013: 125,274 tonnes) of copper concentrates. The revenue from sales of copper blisters and concentrates for the year ended 31 December 2014 amounted to US\$135.8 million and US\$72.2 million respectively (2013: US\$129.2 million and US\$178.3 million respectively). During the financial year, the Group sold the mineral and metal products to JCG and third parties customers.

Discontinued Operations

The Group did not cease any business segment or operations during the year under review. In June 2013, in order to position itself for the transformation into a non-ferrous metal resources company, the Group had disposed of its cosmetic and beauty business at a gain of USD2.8 million for a total cash consideration of approximately US\$3.2 million.

FINANCIAL REVIEW

The Group's operating results for the year ended 31 December 2014 were made up by the results of the Mining Operation and Trading of Mineral and Metal Products.

Revenue

The revenue for the year ended 31 December 2014 was US\$652.5 million, representing a decrease of 12.1% compared with US\$742.2 million for the year ended 31 December 2013. The decrease in revenue was mainly due to the decrease in the copper selling price.

The Group's sales performance from its Mining Operation was as follows:

	2014	2013
Volume of copper sold (tonne)	53,482	52,910
Volume of cobalt sold (tonne)	3,874	3,140
Revenue from sales of copper (US\$ million)	365.4	380.5
Revenue from sales of cobalt (US\$ million)	79.0	54.2
Total Revenue from mining operation (US\$ million)	<u>444.4</u>	<u>434.7</u>
Average price received per tonne of copper (US\$)	6,831	7,191
Average price received per tonne of cobalt (US\$)	20,414	17,261

During the year ended 31 December 2014, the Group encountered the difficulty of the worldwide downturn in copper price which was the main driving factor for the decrease of the Group's overall sales.

Despite the steady annual copper output over the past two years, the copper mining revenue dropped by 4.0% from 2013 to 2014. On the other hand, both the price and annual output of cobalt increased, resulting in an increase in the cobalt mining revenue. However, it cannot improve the total mining revenue since cobalt sales only amounted to 17.8% of the overall mining revenue in 2014.

The Trading segment, which activities are all copper-related, recorded a significant decrease in trading revenue by 32.3% from US\$307.5 million for the year ended 31 December 2013 to US\$208.0 million for the year ended 31 December 2014. Although higher trade volume and revenue were derived from the trading of copper blisters were attained by the Group through the development of existing sourcing channels and expansion to third party customers in addition to JCG, it cannot offset the significant drop of the revenue derived from the trading of copper concentrates in 2014.

Cost of sales

Cost of sales represents the purchase cost for the Mineral and Metal Products Trading and the costs associated with the production of copper and cobalt from the Group's mining operation. The major components of cost of sales are as follows:

	2014	2013
	US\$'000	US\$'000
Purchases for Mineral and Metal Products Trading	203,816	299,480
Mining Operation:		
Realisation costs	7,933	6,765
Mining costs	57,232	35,412
Salaries and wages	64,812	64,801
Processing fees	117,911	94,858
Engineering and technical costs	31,174	26,942
Safety, health, environment and community costs	3,468	2,901
Depreciation of property, plant and equipment	73,650	41,088
Amortisation of mineral rights and other intangible assets	46,417	29,995
Other costs	25,788	30,071
Total Cost of Sales	<u>632,201</u>	<u>632,313</u>

The total cost of sales remained at similar level for both years ended 31 December 2014 and 2013.

The increase in mining costs was mainly due to the recognition of amortised waste stripping cost for one of the pits in Ruashi Mine in 2014 after the commercial production of the pit. In addition, the drilling cost also increased when we extended the depth of the mine.

The increase in processing fees was mainly attributable to the power deficiency problem encountered in Ruashi Mine. Over the past two years, the unstable grid power supply in the DRC had driven the miners in the region to use the alternative power from diesel power generators. Since mid-2013, the Group had supplemented the grid power shortfall with this self-generated diesel power. However, the self-generation of diesel power was much more expensive than the grid power supply. The total power cost was therefore higher despite the Group was able to obtain alternative cross border grid power source from Zambia since mid August 2014. Moreover, increase in reagent cost, in particular, the acid cost, also contributed to the increase in the processing cost.

Gross profit

The gross profit of the Group decreased by 81.6% to US\$20.3 million for the year ended 31 December 2014 from US\$109.9 million for the year ended 31 December 2013. Apart from the decline in copper price, the mining operating costs in the Central African Copperbelt region increased as mentioned in the above sections. Hence, the gross profit margin decreased from 14.8% in 2013 to 3.1% in 2014.

Net Financing cost

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Financing income	917	1,064
Financing cost	<u>(9,007)</u>	<u>(6,506)</u>
	<u>(8,090)</u>	<u>(5,442)</u>

The increase in net financing cost to US\$8.1 million for the year ended 31 December 2014 from US\$5.4 million for the year ended 31 December 2013 was due to the increase in borrowings which were used primarily for financing the development of the Kinsenda Project, as well as the increase in trade finance used for the Trading of Mineral and Metal Products segment during the year.

Exchange gain arising from amount due to a fellow subsidiary

In 2014, there was no exchange gain arising from amount due to a fellow subsidiary as that recognised in 2013. The substantial gain last year was resulted from the transfer of a South African Rand ("ZAR") denominated shareholder loan of ZAR9,193.4 million (for financing the acquisition of Metorex Group from JCG since January 2012) provided by Jintai, a fellow subsidiary of the Company and the seller of Jin Rui to the Company, to Jin Rui. As the value of ZAR against US\$ depreciated in 2013, the Group recognized an exchange gain of US\$190.7 million for the year ended 31 December 2013.

Other gains and losses

Other gains and losses were mainly attributable to the exchange losses arising from the mining operation of the Group. As the functional currency of certain subsidiaries is ZAR and due to the depreciation of ZAR against US\$ during the year ended 31 December 2014, their US\$ denominated borrowings brought about the major exchange losses for the Group during the year.

Selling and distribution costs

Selling and distribution costs decreased by 16.2% to US\$28.6 million for the year ended 31 December 2014 from US\$34.1 million for the year ended 31 December 2013. The costs mainly represent the off-mine costs incurred when the Group sells its copper and cobalt under its mining operation, and is primarily comprised of transportation expenses, ocean freight expenses and custom clearing expenses. The breakdown of selling and distribution costs is as follows:

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Off-mine costs:		
Transportation	723	812
Ocean freight	16,252	19,549
Clearing costs of export	11,190	13,379
Others	<u>416</u>	<u>360</u>
Total Selling and distribution costs	<u>28,581</u>	<u>34,100</u>

Decrease in selling and distribution costs during the year under review was mainly due to the decrease in ocean freight expenditure and the related clearing costs.

Decrease in the ocean freight expenses by 16.9% to US\$16.3 million for the year ended 31 December 2014 from US\$19.5 million for year ended 31 December 2013.

The change of clearing agent also helped to improve the saving of clearing costs for importing materials into the DRC for the Group's mining operation.

Administrative expenses

Administrative expenses increased by 4.6% to US\$32.2 million for the year ended 31 December 2014 from US\$30.8 million for the year ended 31 December 2013. Administrative expenses included mining royalties payable to the minority shareholder (in addition to those payable to the local government) of the operating mines in Africa and other operating expenses of the Group. The increase in administrative expense(s) was partly contributed by the increase of both the salaries and consultancy fees for the year ended 31 December 2014 compared to those for the year ended 31 December 2013.

Impairment loss

During the year under review, the Group recorded a substantial non-cash impairment loss of US\$334.0 million and US\$34.1 million on the mineral rights and related mining assets respectively, i.e. the property, plant & equipment. Since there was an unexpected prolonged decline in copper price during the year, in particular in the second half year of 2014, the Group reassessed the valuation of its mines on the basis of each cash generating unit. Given the downward revision of the long term copper price, adjustments had been made to the LOM plans, i.e. the mine plan, and thus the reserve of the operating mines, namely the Ruashi Mine and Chibuluma South Mine, resulting in a substantial impairment loss for these mines – in both the mineral rights and property, plant and equipment.

In addition, the unstable economic environment of the DRC and the liquidity of the DRC government hindered the ability of the Group in the collection of its value added tax ("VAT") receivable. Therefore, as at 31 December 2014, an impairment loss on the VAT receivable of US\$2 million was recorded.

Other expenses

The prior year's other expenses comprised expenses incurred for the Combination and provision made for the unpaid import duties on imported goods, additional surcharge on variation from legislation in the PRC, as well as fees for services provided by the new agents.

Income tax credit (expense)

The Group is subjected to taxes in Hong Kong, the DRC and Zambia because its business operations are arising from these jurisdictions. Income tax credit amounted to US\$132.8 million for the year ended 31 December 2014 as compared to a US\$14.4 million tax charge for the year ended 31 December 2013. The tax credit was attributable to the losses made in the year and change in Zambian taxation legislation. The Zambian authorities changed the basis of taxation which resulted in all the deferred tax balance to be derecognized. Beside, the credit was also resulted from the losses made in the year.

(Loss) profit for the year from continuing operations

As a result of the above, the Group's loss for the year from continuing operations amounted to US\$299.5 million for the year ended 31 December 2014 as compared with the profit of US\$203.8 million for the year ended 31 December 2013.

The Group's performance was impacted by the significant non-cash impairment on the mineral rights and its related operating assets. We would like to emphasize that the impairment assessment was a periodic exercise where the consequential loss recorded during the year was an accounting related adjustment, and its non-cash nature has no impact on the cash flow of the Group.

Earnings before interest (net finance costs), income tax, depreciation and amortisation ("EBITDA")

The EBITDA of the Group is derived as follows:

	2014 US\$'000	2013 <i>US\$'000</i>
(Loss) profit for the year from continuing operations	(299,503)	203,837
Add: Net finance cost	8,090	5,442
Add: Income tax (credit) expense	(132,776)	14,364
Add: Depreciation of property, plant and equipment	73,703	41,124
Add: Amortisation of mineral rights and other intangible assets	46,417	29,955
Add: Impairment loss	370,053	–
EBITDA	<u>65,984</u>	<u>294,722</u>

Liquidity, Financial Resources and Capital Structure

As at 31 December 2014, the Group had bank balances and cash of approximately US\$69.7 million (of which US\$9.6 million was pledged for funding environmental liabilities relating to mining operation and issuance of letters of credit in favor of the Group's suppliers) as compared to US\$73.5 million (of which US\$14.7 million was pledged for funding environmental liabilities relating to mining operation and issuance of letters of credit in favor of the Group's suppliers) as at 31 December 2013.

As at 31 December 2014, the Group had bank borrowings of US\$51.4 million which are due within one year and US\$133.1 million which are due within 5 years.

The gearing ratio of the Group as at 31 December 2014 was 22.4% compared to 13.2% as at 31 December 2013. Gearing ratio is defined as net debt over total equity, and net debt is derived from total borrowings less bank balances and cash. As at 31 December 2014, the total borrowings (for the calculation of gearing ratio), included the amount due to an intermediate holding company and amount due to a fellow subsidiary. Increase in the gearing ratio was caused by additional debt was obtained by the Group to fund its capital expenditures.

For the year under review, the Group had generally financed its operations with loan facilities provided by banks, borrowings from related companies and internally generated cash flows.

Material acquisitions and disposals of investments

The Group had no material acquisitions or disposals of investments during the year under review. In the prior year, (a) in November 2013, the Group completed its acquisition of Jin Rui Group from Jintai through, as consideration, the issuance of 1,595,880,000 new ordinary shares at an issue price of HK\$1.00 per share and the PSCS in the aggregate amount of US\$1,085.4 million convertible into 8,466,120,000 new ordinary share at an initial price of HK\$1.00 per share; and (b) in June 2013, the Group completed its disposal of Carissa Bay Inc. at a cash consideration of approximately US\$3.2 million.

Significant capital expenditures

Except for the purchase of property, plant and equipment of US\$130.3 million (2013: US\$51.4 million), mineral rights of US\$15.3 million (2013: US\$36.0 million) and exploration and evaluation assets of US\$22.5 million (2013: US\$40.4 million), no significant capital expenditures were made for the year ended 31 December 2014.

Details of charges on the Group's assets

The Group's restricted cash deposits of US\$9.6 million and non-current assets (including portions of property, plant and equipment, mineral rights, and exploration and evaluation assets), inventories and trade and other receivables of US\$1,429.1 million, US\$90.3 million and US\$24.5 million respectively, were pledged to secure general banking facilities granted to the Group.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2014.

Foreign exchange risk management

The reporting currency of the Group is in US\$ and the functional currencies of subsidiaries of the Group are mainly in US\$, HK\$ or ZAR. For its mineral and metal products trading activities, the Group is exposed to foreign currency exchange risk in RMB and ZAR which are predominantly the currency the Group receives as its revenue for its mineral and metal products trading business and the currency for its mining operation in Africa, respectively. The Group monitors its exposure to foreign currency exchange risk on a continual basis.

Given the exchange rate peg between HK\$ and US\$, the Group is not exposed to significant exchange rate risk for transactions conducted in HK\$. On the other hand, the exchange rate fluctuation of RMB against US\$ and ZAR against US\$ could substantially affect the performance and financial position of the Group.

There had been moderate fluctuations in the exchange rate of RMB against US\$ and significant fluctuations in the exchange rate of ZAR against US\$ in recent years. During 2014, the Group managed its foreign currency exchange risk arising from RMB and ZAR denominated transactions by entering into specific foreign exchange deliverable forward contracts to lock the exchange rate of future revenue receipts against US\$.

PROSPECTS

Looking ahead, the worldwide economy is still turbulent and complicated. With the uncertainty in the movements in copper price, for the mining operation, it is our first priority to rationalize the operating units of the Group by improving the cost profiles and installing efficient enhancement mechanisms.

The LOM plans of the operating mines are required to be scrutinized frequently to ensure that every facet of the mining operation can be optimized to achieve the maximum benefits. Under different commodities price level, we have to manage the mine design to generate the highest return for each operation. We will make our best efforts to maximize our reserves and restore the mine valuations as much as possible.

The Kinsenda Project, the only mine presently under development, is also the focus for achieving the short term growth of the Group. The mine construction is underway but expected to encounter a delay for its commissioning until the first quarter of 2017.

We are scheduled to approve the development plan during the rest of 2015 for one of the exploration projects, Musonoi Project (a copper and cobalt property with the same shareholding structure as Ruashi Mine). It would bring about medium term growth to the Group.

Other than the mining operation, the Group also endeavors to strengthen its mineral and metal products trading operations. This segment should be able to expand its business whether commodities price level is high or low. On one hand, development of existing or new customers is important, however, on the other hand, due consideration of the risks associated with maximizing returns is even more crucial.

It is the Group's strategy to continue identifying suitable mining investment opportunities to expand its international presence in various resources regions. To fulfil the role of the Group as an overseas mining investment flagship platform for Jinchuan Group, achieving growth through undertaking acquisition opportunities could accelerate the resources outlay in the worldwide avenue.

EMPLOYEES

As at 31 December 2014, the Group had 4,361 (2013: 3,673) employees, which comprises 2,426 (2013: 2,408) permanent workers and 1,935 (2013: 1,265) contractor employees. Employees receive competitive remuneration packages including salary and medical and other benefits. Key staff may also be entitled to performance bonus and grant of options over the shares of the Company.

DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2014 (2013: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Group has no significant event after the reporting period that need to be disclosed.

CORPORATE GOVERNANCE INFORMATION

Audit Committee

During the year, the Audit Committee of the Company has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control, reporting matters and the continuing connected transactions of the Group. The audited annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee. The Group's consolidated financial statements for the year ended 31 December 2014 have been audited by the Company's auditors, Deloitte Touche Tohmatsu, and an unqualified opinion has been issued.

Model Code for Securities Transactions

The Company has adopted the Model code for Securities Transactions By Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Based on specific enquiry with all directors, the directors of the Company have confirmed that they have complied with required standards as set out in the Model Code for the year ended 31 December 2014.

Corporate Governance Code

The Company has complied throughout the year ended 31 December 2014 with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the following deviations:

Non-compliance with the requirements of Independent Non-Executive Director, Audit Committee, Remuneration Committee and Nomination Committee

Following the resignation of Mr. Gao Dezhu as an independent non-executive director, chairman of Remuneration Committee and a member of each of Audit Committee and Nomination Committee, on 9 July 2014, the Company had only two independent non-executive directors and two Audit Committee members, and therefore failed to comply with:

- (1) Rule 3.10(1) of the Listing Rules which set out that the minimum number of independent non-executive director is three;
- (2) Rule 3.10A of the Listing Rules which stated that the Company must appoint independent non-executive directors representing at least one-third of the Board;
- (3) Rule 3.21 of the Listing Rules which requires that the Audit Committee must comprise a minimum of three members;
- (4) Rule 3.25 of the Listing Rules which requires that the Remuneration Committee must be chaired by an independent non-executive director and comprising of a majority of independent non-executive directors; and
- (5) The code provision A.5.1 of the CG Code stated that the Nomination Committee must be comprising of a majority of independent non-executive directors.

Following the appointment of Mr. Neil Thacker Maclachlan as an independent non-executive director and a member of each of Audit Committee, Remuneration Committee and Nomination Committee, on 8 October 2014, and the re-designation of Mr. Wu Chi Keung, an independent non-executive director of the Company, from a member to chairman of Remuneration Committee on 8 October 2014, the Company has fully complied with the aforesaid requirements of the Listing Rules.

Non-compliance with paragraph A2.1

Code provision A2.1 of the CG Code stipulates that the role of Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. During the year ended 31 December 2014, Mr. Yang Zhiqiang held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will continue to review the effectiveness of the Group’s corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2014.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is available for viewing on the websites of the Hong Kong Exchanges and Clearing Limited (“HKEx”) and the Company. The annual report for the year ended 31 December 2014 containing all the information required by applicable requirements of Appendix 16 to and Chapter 18 of the Listing Rules will be dispatched to shareholders of the Company and published on the HKExnews and the Company’s websites respectively in due course.

GLOSSARY

“Acquisition” or “Combination”	the acquisition by the Company of the entire equity interest in Jin Rui (along with the Metorex Group) in November 2013 pursuant to the sales and purchase agreement dated 27 August 2013, the details of which are set out in the circular of the Company dated 30 August 2013; with a total consideration of US\$1,290,000,000 was satisfied by the allotment and issue of 1,595,880,000 new ordinary shares of the Company at an issue price of HK\$1 per share and the issue of PSCS of the Company in the aggregate amount of US\$1,085,400,000
“Board”	the board of Directors of the Company
“Chibuluma South Mine”	an underground copper mine owned by Chibuluma plc situated in Zambia near the town of Kalulushi

“Chifupu”	an adjacent copper deposit under exploration which is located approximately 1.7 km southwest of Chibuluma South Mine.
“Company”	Jinchuan Group International Resources Co. Ltd, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“DRC”	the Democratic Republic of Congo
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jinchuan Group” or “JCG”	金川集團股份有限公司 (Jinchuan Group Co., Ltd*), a state-owned enterprise established in the PRC and the controlling shareholder of the Company
“Jin Rui”	Jin Rui Mining Investment Limited (金瑞礦業投資有限公司), a company incorporated in the Republic of Mauritius and an indirect wholly-owned subsidiary of Jinchuan Group (Hongkong) Resources Holdings Limited
“Jin Rui Group”	Jin Rui, Metorex Holdings and the Metorex Group
“Jintai”	Jintai Mining Investment Limited (金泰礦業投資有限公司), a company incorporated in Hong Kong and a direct wholly-owned subsidiary of Jinchuan Group (Hongkong) Resources Holdings Limited
“Kinsenda Project”	a brownfield copper project owned by Kinsenda Sarl and situated in the Katanga Province, the DRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LOM”	Life of mine
“Lubembe Project”	a greenfield copper project owned by Kinsenda Sarl and situated in the Katanga Province, the DRC

* For identification purposes only

“Metorex”	Metorex (Proprietary) Limited (formerly named as Metorex Limited), a company incorporated in South Africa and an indirect wholly-owned subsidiary of the Company
“Metorex Group”	Metorex and its subsidiaries (including Chibuluma plc, Kinsenda Sarl and Ruashi Mining), which comprise (amongst other investment holding companies) the operating companies within the Group
“Musonoi Project”	a greenfield copper and cobalt project owned by Ruashi Mining and situated in the Katanga Province, the DRC
“Metorex Holdings”	Metorex Holdings (Proprietary) Limited (formerly known as Newself 1124 (Proprietary) Limited)
“PRC”	the People’s Republic of China
“PSCS” or “Convertible Securities”	the perpetual subordinated convertible securities to be issued by the Company to satisfy part of the purchase price for the Acquisition
“RMB”	“Renminbi”, the lawful currency of the PRC
“Ruashi Mine”	an opencast oxide copper and cobalt mine owned by Ruashi Mining and situated in the DRC on the outskirts of Lubumbashi, the capital of Katanga province
“South Africa”	the Republic of South Africa
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the US
“Zambia”	the Republic of Zambia
“ZAR”	South African Rand, the lawful currency of South Africa
“%”	percentage
“km”	kilometre(s)

By Order of the Board
JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD
Mr. Yang Zhiqiang
Chairman

Hong Kong, 27 March 2015

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Yang Zhiqiang, Mr. Zhang Sanlin, Mr. Zhang Zhong, Mr. Chen Dexin and Mr. Douglas Campbell Walter Ritchie; one non-executive director, Mr. John Adam Ferreira; and three independent non-executive directors, namely Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Neil Thacker Maclachlan.