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 2018

RESULTS

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2018 together with the comparative figures in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **US$'000**	2017 US$'000
Revenue	3	**1,399,970**	549,188
Cost of sales		**(1,201,149)**	(433,025)
Gross profit		**198,821**	116,163
Other gains and losses	5	**(1,342)**	(12,527)
Other income		**286**	–
Selling and distribution costs		**(31,026)**	(31,257)
Administrative expenses		**(48,740)**	(20,587)
Reversal of impairment loss, net	6	**53,495**	17,080
Finance income		**1,984**	986
Finance costs	7	**(24,056)**	(8,673)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Profit before tax	8	**149,422**	61,185
Income tax expense	9	**(54,800)**	(7,750)
Profit for the year		**94,622**	53,435
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,290)**	–
Other comprehensive expense for the year		**(1,290)**	–
Total comprehensive income for the year		**93,332**	53,435
Profit for the year attributable to:			
Owners of the Company		**66,931**	41,624
Non-controlling interests		**27,691**	11,811
		94,622	53,435
Total comprehensive income attributable to:			
Owners of the Company		**66,157**	41,624
Non-controlling interests		**27,175**	11,811
		93,332	53,435
Earnings per share	10		
Basic (US cents)		**0.72**	0.89
Diluted (US cents)		**0.51**	0.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Property, plant and equipment		**742,807**	671,077
Mineral rights		**478,098**	488,057
Exploration and evaluation assets		**140,990**	212,332
Other non-current assets		**14,209**	16,602
		1,376,104	1,388,068
Current assets			
Inventories		**186,110**	172,093
Trade and other receivables	*12*	**212,065**	146,808
Bank balances and cash		**78,919**	75,162
		477,094	394,063
Current liabilities			
Trade and other payables	*13*	**73,958**	87,787
Amount due to an intermediate holding company		**125,453**	119,815
Amount due to a fellow subsidiary		**6,199**	5,974
Amount due to a non-controlling shareholder of a subsidiary		**200**	418
Bank borrowings		**165,521**	133,881
Short-term provisions		**9,325**	10,000
Tax payable		**37,713**	2,392
		418,369	360,267
Net current assets		**58,725**	33,796
Total assets less current liabilities		**1,434,829**	1,421,864

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Non-current liabilities			
Bank borrowings		**123,771**	231,415
Long-term provisions		**32,053**	28,772
Deferred tax liabilities		**300,210**	291,195
		456,034	551,382
Net assets		**978,795**	870,482
Capital and reserves			
Share capital	*14*	**16,166**	6,197
Perpetual subordinated convertible securities		**88,462**	1,089,084
Reserves		**753,194**	(303,571)
Equity attributable to owners of the Company		**857,822**	791,710
Non-controlling interests		**120,973**	78,772
Total equity		**978,795**	870,482

1. GENERAL

Jinchuan Group International Resources Co., Ltd. (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. Its ultimate holding company is 金川集團股份有限公司 (Jinchuan Group Co., Ltd*) ("**JCG**"), a state-owned enterprise established in the PRC. The address of registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Unit 3101, 31/F, United Centre, 95 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are mining operations and the trading of mineral and metal products.

The consolidated financial statements are presented in United States dollars ("**US$**"), which is also the functional currency of the Company.

* *for identification purposes only*

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 "Insurance Contracts"
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

2.1 IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 "Revenue" and the related interpretations. As the majority of the Group's revenue is derived from commodity sales, for which the point of recognition is dependent upon contract sales terms, the transfer of risks and rewards as defined by IAS 18 and the transfer of control as defined by IFRS 15 generally coincides with the fulfilment of performance obligations under the contract sales terms at a point in time. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. As such, the adoption of IFRS 15 has had no material impact in respect of timing and amount of revenue recognised by the Group.

The Group recognises revenue from the following major sources which arise from contract with customers:

- Mining operations

- Trading of mineral and metal products

Information about the Group's performance obligations resulting from application of IFRS 15 is disclosed in Note 3.

2.2 IFRS 9 "Financial Instruments"

In the current year, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets measurement and impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No material impact on the amount recognised in the current year.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendment to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront lease payments as investing cash flows in relation to prepaid lease classified as finance lease and accounted for as property, plant and equipment, while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing cash flows.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of US$1,713,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of US$517,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indication above.

3. REVENUE

Revenue represents revenue arising from sales of commodities. An analysis of the Group's revenue for the year is as follows:

	2018	2017
	US$'000	*US$'000*
Sales of copper	**748,360**	360,952
Sales of aluminium ingot	**276,815**	–
Sales of cobalt	**235,742**	186,226
Sales of glycol	**132,702**	–
Sales of nickel	**10,824**	–
Others	**573**	–
Sales of zinc	**–**	2,010
Revenue from sales of commodities	**1,405,016**	549,188
Provisional pricing adjustment	**(5,046)**	–
Revenue – reported measure	**1,399,970**	549,188

All the revenue is recognised at a point in time.

4. 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:

- Mining operations
- Trading of mineral and metal products

Segment revenues and results

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

For the year ended 31 December 2018

	Mining operations *US$'000*	**Trading of mineral and metal products** *US$'000*	**Total** *US$'000*
Segment revenue			
Revenue	**611,252**	**1,145,853**	**1,757,105**
Inter-segment sales	**(352,089)**	**–**	**(352,089)**
Provisional pricing adjustment	**(5,046)**	**–**	**(5,046)**
	254,117	**1,145,853**	**1,399,970**
Segment results	**149,043**	**(455)**	**148,588**
Unallocated corporate income			**2,225**
Unallocated corporate expenses			**(1,391)**
Profit before tax			**149,422**

Inter-segment sales are charged at prevailing market price.

For the year ended 31 December 2017

	Mining operations *US$'000*	Trading of mineral and metal products *US$'000*	Total *US$'000*
Segment revenue – external sales	449,203	99,985	549,188
Segment results	63,413	(474)	62,939
Unallocated corporate income			986
Unallocated corporate expenses			(2,740)
Profit before tax			61,185

Note: The accounting policies of operating segments are the same as the Group's accounting policies. Segment revenues and segment results comprise revenue from external customers and profit before tax of each segment (excluding finance income, non-operating related other gains and losses and other central administration costs) and finance 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

	2018 ***US$'000***	2017 *US$'000*
Mining operations	**1,684,523**	1,656,646
Trading of mineral and metal products	**143,709**	72,564
Total segment assets	**1,828,232**	1,729,210
Unallocated corporate assets	**24,966**	52,921
Consolidated assets	**1,853,198**	1,782,131

Segment liabilities

	2018 ***US$'000***	2017 *US$'000*
Mining operations	**496,570**	566,289
Trading of mineral and metal products	**36,972**	50,625
Total segment liabilities	**533,542**	616,914
Unallocated corporate liabilities	**340,861**	294,735
Consolidated liabilities	**874,403**	911,649

Note: Segment assets and segment liabilities comprise total assets (excluding 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 2018

	Mining operations *US$'000*	**Trading of mineral and metal products** *US$'000*	**Unallocated** *US$'000*	**Total** *US$'000*
Amounts included in the measure of segment results and segment assets:				
Addition to non-current assets *(Note)*	**33,112**	**–**	**22**	**33,134**
Finance income	**423**	**532**	**1,029**	**1,984**
Finance costs	**22,111**	**1,472**	**473**	**24,056**
Reversal of impairment loss recognised in respect of property, plant and equipment	**(48,500)**	**–**	**–**	**(48,500)**
Reversal of impairment loss recognised in respect of mineral rights, net	**(4,995)**	**–**	**–**	**(4,995)**
Depreciation of property, plant and equipment	**81,200**	**33**	**13**	**81,246**
Amortisation of mineral rights	**14,954**	**–**	**–**	**14,954**

For the year ended 31 December 2017

	Mining operations *US$'000*	Trading of mineral and metal products *US$'000*	Unallocated *US$'000*	Total *US$'000*
Amounts included in the measure of segment results and segment assets:				
Addition to non-current assets *(Note)*	57,101	–	–	57,101
Finance income	548	5	433	986
Finance costs	6,924	664	1,085	8,673
Reversal of impairment loss recognised in respect of mineral rights	(17,080)	–	–	(17,080)
Depreciation of property, plant and equipment	43,377	33	12	43,422
Amortisation of mineral rights	7,030	–	–	7,030

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	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Hong Kong	**–**	–	**421**	576
South Africa	**–**	–	**197**	115
The DRC	**–**	–	**1,324,224**	1,298,460
Zambia	**159,214**	70,341	**51,175**	87,077
The PRC	**1,084,416**	358,345	**–**	–
Switzerland	**161,386**	118,492	**–**	–
Others	**–**	2,010	**–**	–
	1,405,016	549,188	**1,376,017**	1,386,228

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:

	2018	2017
	US$'000	*US$'000*
Customer A (Notes b and c)	**235,742**	186,226
Customer B (Notes a and e)	**N/A**	74,144
Customer C (Note c)	**159,214**	70,341
Customer D (Notes c and d)	**161,386**	N/A
Customer E (Notes d and f)	**141,428**	N/A

Notes:

(a) Revenue from the above customers is arising from mining operations.

(b) The customer is an indirect non wholly-owned subsidiary of the ultimate holding company of the Company.

(c) Revenue from above customers is arising from both mining operations and trading of mineral and metal products.

(d) The revenue in 2017 did not contribute over 10% of the total revenue of the Group.

(e) The revenue in 2018 did not contribute over 10% of the total revenue of the Group.

(f) Revenue from above customer is arising from trading of mineral and metal products.

5. OTHER GAINS AND LOSSES

	2018	2017
	US$'000	*US$'000*
Exchange loss, net	**(1,984)**	(13,686)
Change in fair value of derivative financial instruments, net	**–**	(219)
Others	**642**	1,378
	(1,342)	(12,527)

6. REVERSAL OF IMPAIRMENT LOSS, NET

	2018	2017
	US$'000	*US$'000*
Reversal of impairment loss recognised in respect of mineral rights, net	**4,995**	17,080
Reversal of impairment loss recognised in respect of property, plant and equipment	**48,500**	–
	53,495	17,080

For the purpose of impairment testing, the Group's property, plant and equipment, mineral rights and exploration and evaluation assets were allocated to five cash generating units ("**CGUs**"), comprising three operating mines, one developing project and one exploration project (2017: two operating mines, one developing project and two exploration projects) in Zambia and DRC, within mining operations segment. The recoverable amounts were determined by discounted cash flow techniques based on the most recent approved financial budgets and business plans, which are underpinned and supported by life of mine plans of the respective operations. The valuation models use the most recent reserve and resource estimates, latest cost assumptions, market forecasts of commodity price and foreign exchange rate assumptions discounted using operation specific pre-tax discount rates ranging from 16.7%–26.2% (2017: 13.3%–14.9%). The valuations remain sensitive to price and a deterioration/improvement in the pricing outlook may result in additional impairments/reversals.

2018

One of the operating mines in the DRC started commercial production during the year. Based on the resource and reserve report prepared by the external competent person, the mining reserve volume has increased when compared with prior year, management has decided to extend the mining plan of the mine. Accordingly, the value in use has increased and there is a partial reversal of impairments of property, plant and equipment and mineral rights of US$48,500,000 and US$29,495,000, respectively. The valuation remains sensitive to price and further deterioration or improvement in the pricing outlook may result in additional impairment or reversal of impairment. The discount rate used in the valuation was 18.9%.

Based on the recent mining production, deterioration of feed grade of the operating mine in Zambia has been identified. This has adverse impact on the production reserve. As a result, the related CGU was impaired by US$24,500,000 in respect of its mineral rights to its estimated recoverable amount. The valuation remains sensitive to price and further deterioration or improvement in the pricing outlook may result in additional or reversal of impairment. The discount rate use in the valuation was 16.7%.

2017

As a result of the recovery in copper and cobalt prices and the successful implementation of the cost-saving plan for the two operating mines during the year, the impairment review led to a reversal of impairment loss of US$17,080,000 for one of the operating mines. 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 and cobalt prices. The pre-tax discount rate used in measuring value in use was 13.3% and 14.9% for Zambia and DRC respectively.

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.

Apart from disclosed above, there is no impairment recognised or reversed for the other CGUs during both years.

7. FINANCE COSTS

	2018	2017
	US$'000	*US$'000*
Interest on		
Convertible securities	**473**	1,094
Bank and other borrowings	**18,178**	17,772
Loan from an intermediate holding company	**5,180**	2,274
Loan from a fellow subsidiary	**225**	994
	24,056	22,134
Less: Amounts capitalised in the cost of qualifying assets	**–**	(13,461)
	24,056	8,673

8. PROFIT BEFORE TAX

	2018 US$'000	2017 US$'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments	**463**	252
Other staff costs		
– Salaries and other benefits	**54,093**	38,791
– Retirement benefits schemes contributions	**4,009**	3,984
	58,565	43,027
Auditors' remuneration	**443**	370
Depreciation of property, plant and equipment	**81,246**	43,422
Amortisation of mineral rights	**14,954**	7,030
Impairment of inventories (included in cost of sales)	**22,809**	–
Change in fair value of derivative financial instruments, net	**–**	219
Change in fair value of held for trading investments	**–**	(275)
Operating lease rentals in respect of equipment, premises and vehicles	**1,160**	1,120
Interest income	**(1,984)**	(986)

9. INCOME TAX EXPENSE

	2018 US$'000	2017 US$'000
The tax expense comprises:		
Current taxation		
Hong Kong Profits Tax	**–**	–
Corporate income tax in the DRC	**45,439**	3,130
Corporate income tax in Zambia	**780**	1,248
Corporate income tax in South Africa	**–**	279
Corporate income tax in the PRC	**263**	–
(Over)underprovision in prior years	**(697)**	5
	45,785	4,662
Deferred taxation	**9,015**	3,088
	54,800	7,750

No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profits arising in Hong Kong for both years.

Corporate income tax in the PRC is calculated at 25% on the assessable profit for the year.

Corporate income tax in Mauritius, South Africa and the DRC are calculated at 15%, 28% and 30% (2017: 15%, 28% and 30%) on the estimated assessable profits for the year, respectively.

Corporate income tax in Zambia is calculated at 30% in the current year (2017: 30%). The tax rate applicable to the assessable profits arising in Zambia for the year ranged from 30% to 45%. The applicable tax rate is determined based on a number of factors including the revenue of respective subsidiaries and the average copper price of the year.

10. EARNINGS PER SHARE

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

	2018	2017
	US$'000	*US$'000*
Earnings		
Earnings for the purpose of basic earnings per share	**66,931**	41,624
Added: Interest expense on PSCS	**473**	1,094
Earnings for the purpose of diluted earnings per share	**67,404**	42,718

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**9,286,380,667**	4,682,898,256
Effect of dilutive potential ordinary shares:		
PSCS	**4,013,492,384**	8,466,120,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**13,299,873,051**	13,149,018,256

There were no other potential ordinary shares outstanding as at the end of both reporting periods.

11. DIVIDEND

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK0.1 cent (2017: final dividend in respect of the year ended 31 December 2017 of USNil cents) per ordinary share, in an aggregate amount of approximately HK$12,610,000, equivalent to approximately US$1,617,000 (2017: US$Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	US$'000	*US$'000*
Financial assets at fair value through profit or loss		
Trade and bill receivables under provisional pricing arrangements	**106,453**	60,886
Financial assets at amortized cost		
Other receivables	**9,072**	14,081
Loan to a DRC state-owned power company – current	**1,065**	2,000
	10,137	16,081
Non-financial assets		
Other receivables	**3,019**	2
Prepayments	**3,150**	3,396
Value-added tax recoverable	**89,306**	66,443
	95,475	69,841
	212,065	146,808

Included in trade and bill receivables as at 31 December 2018 was an amount due from a fellow subsidiary of US$44,273,000 (2017: US$21,161,000), which was of trade nature. The Group provided this fellow subsidiary with a credit period of 8 days.

The Group provided customers (other than its fellow subsidiaries) with a credit period ranging from 5 days to 30 days (2017: 15 days to 90 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.

As at 31 December 2018, the amounts of trade and bill receivables under provisional pricing arrangements had been adjusted for US$445,000 (2017: US$Nil), being the difference between the average London Metal Exchange future commodity prices for the duration 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 a fellow subsidiary of the Company, constitutes 42% (2017: 35%) of trade and bill receivables.

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

	2018	2017
	US$'000	*US$'000*
Within 3 months	**68,363**	60,886
4 to 6 months	**35,502**	–
7 to 12 months	**2,588**	–
	106,453	60,886

As at 31 December 2018, included in trade receivables is an amount due from a fellow subsidiary of US$44,273,000 (2017: US$Nil) which was past due as at the end of the reporting date and was regarded as not impaired. The Group does not consider such balances as defaulted due to long and good repayment record from the fellow subsidiary.

Ageing of trade receivables which are past due but not impaired

	2018	2017
	US$'000	*US$'000*
Over due by:		
Within 3 months	**14,946**	–
4 to 6 months	**29,327**	–
	44,273	–

Movement in allowance for doubtful debts

	US$'000
1 January 2017	310
Amount written off as uncollectible	(310)
31 December 2017 and 31 December 2018	–

13. TRADE AND OTHER PAYABLES

Included in trade and other payables, the amount of trade payables under provisional pricing is US$26,257,000 (2017: US$43,375,000).

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.

The purchase contracts of commodity contain a clause of provisional pricing arrangements, where the quoted price on the date of recognition of purchase, when title and risks and rewards of mineral and metal products passed from suppliers to the Group, will be adjusted for the difference between the average LME future commodity prices for the duration up to the date of final pricing. During the year ended 31 December 2018 and 2017, the dates of recognition of purchase and the dates of final pricing for all purchase contracts are the same. Accordingly, no provisional pricing adjustments have been recognized.

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

	2018	2017
	US$'000	*US$'000*
Within 3 months	**23,472**	34,850
4 to 6 months	**359**	4,875
7 to 12 months	**2,426**	3,390
Over 1 year	**–**	260
	26,257	43,375

The credit period on purchases of goods ranges from 0 to 90 days.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	20,000,000,000	200,000
Issued and fully paid:		
At 1 January 2017	4,350,753,051	43,508
Issue of new shares by the way of subscription	483,000,000	4,830
At 31 December 2017 and 1 January 2018	4,833,753,051	48,338
Issue of new shares by conversion of PSCS	7,776,120,000	77,761
At 31 December 2018	12,609,873,051	126,099

Shown in the consolidated financial statements as:

	Amount
	US$'000
At 31 December 2017	6,197
At 31 December 2018	16,166

On 28 April 2017, the Company issued 483,000,000 new ordinary shares by the way of subscription at the price of HK$0.80 per ordinary share to SD Hi-Speed Investment HK Limited, an independent third party, and raised gross proceeds of HK$386,400,000 (equivalent to US$49,538,000). The subscription shares were allotted and issued under a specific mandate sought from the shareholders at an extraordinary general meeting of the Company held on 25 April 2017. Details of the subscription are disclosed in the announcements of the Company dated 20 March 2017 and 28 April 2017 and circular of the Company dated 6 April 2017.

15. CAPITAL COMMITMENTS

	2018	2017
	US$'000	*US$'000*
Capital expenditure in respect of property, plant and equipment, mineral rights and exploration and evaluation assets contracted for but not provided in the consolidated financial statements	**16,992**	15,062

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Jinchuan Group International Resources Co. Ltd and its subsidiaries are principally engaged in (i) the mining of metals, primarily copper and cobalt, in the DRC and Zambia; and (ii) the trading of mineral and metal products in the PRC and Hong Kong.

The increase of copper and cobalt prices during the first half of 2018 had given rise to positive impact on the overall financial performance for the year, offset by lower prices in the second half of 2018. Kinsenda Mine's first full year production contributes positively to the Group's profit. Besides, through technological reform, continuous optimization of economy and reducing operating costs, the Group was able to achieve higher profits in 2018 as compared to 2017.

Mining Operations

The Group has majority control over three operating mines in Africa which are Ruashi Mine, a copper and cobalt mine located in Lubumbashi, the DRC, Kinsenda Mine, a copper mine also located in Katanga Province, the DRC and Chibuluma South Mine (including the Chifupu Deposit), a copper mine located in Zambia.

For the year ended 31 December 2018, the Group produced 61,624 tonnes of copper (2017: 42,512 tonnes) and 4,752 tonnes of cobalt (2017: 4,638 tonnes), and sold 64,101 tonnes of copper (2017: 42,443 tonnes) and 3,369 tonnes of cobalt (2017: 4,677 tonnes) which generated sales of US$375.5 million and US$235.7 million respectively (2017: US$263.0 million and US$186.2 million respectively). Copper production was 45% higher in 2018 as compared to 2017. The significant increase in copper production was mainly a result of Kinsenda Mine coming into commercial production from January 2018 whilst offset by lower production at Ruashi Mine. Cobalt production was 2% higher in 2018 as compared to 2017. Higher market prices fueled increased production in the first half of 2018.

The Group also has control over Musonoi Project, a copper and cobalt project at development stage, and Lubembe Project, a copper project in exploration stage. Both projects are located in the DRC.

Trading of Mineral and Metal Products

During the year ended 31 December 2018, the Group's 60% owned subsidiary Shanghai Jinchuan Junhe has commenced operation in Shanghai, the PRC. Shanghai Jinchuan Junhe has recorded a turnover of US$784 million in 2018 via the trading of commodities, including copper cathode, nickel cathode, aluminum ingot, zinc ingot and glycol. The Group's trading arm in Shanghai is growing at a rapid pace with the support of the two shareholders. With continuous injection of new capital, Shanghai Jinchuan Junhe will continue to further expand its trading volume in 2019.

FINANCIAL REVIEW

The Group's operating results for the year ended 31 December 2018 are a consolidation of the results from the mining operations and the trading of mineral and metal products.

Revenue

The revenue for the year ended 31 December 2018 was US$1,400.0 million, representing an increase of 154.9% compared to US$549.2 million for the year ended 31 December 2017. Revenue increased during the year mainly contributed from the commencement of commercial production in the Kinsenda Mine and the expansion of trading business in Shanghai which will be further discussed below.

The Group's sales performance from its mining operations was as follows:

	2018	2017
Volume of copper sold *(tonne)*	**64,101**	42,443
Volume of cobalt sold *(tonne)*	**3,369**	4,677
Revenue from sales of copper *(US$ million)*	**375.5**	263.0
Revenue from sales of cobalt *(US$ million)*	**235.7**	186.2
Total revenue from the mining operations *(US$ million)*	**611.2**	449.2
Average price realized per tonne of copper *(US$)*	**5,858**	6,196
Average price realized per tonne of cobalt *(US$)*	**69,961**	39,817

Note: Pricing coefficients were considered in actual sales revenue

During the year ended 31 December 2018, the higher commodity market prices as well as higher copper volumes impacted positively on the Group's revenue. Revenue of the Group's mines reported at US$611.2 million and increased by 36% from 2017.

Copper mining revenue increased by 43% from 2017 to 2018. While copper price remained stable in 2018 as compared to 2017, the increase in copper revenue was mainly a result of increase in sales volumes by 51%. Cobalt revenue increased by 27% from 2017 to 2018 as a result of higher average cobalt price as compared to 2017, offset by a drop in cobalt sales volumes by 28%.

The trading of mineral and metal products segment recorded an increase in revenue by more than ten folds from US$100.0 million for the year ended 31 December 2017 to US$1,145.9 million for the year ended 31 December 2018. New revenue generated from Shanghai Jinchuan Junhe contributed mainly to the increase in revenue in the year, in which Shanghai Jinchuan Junhe revenue for the year amounted to US$784 million.

Cost of Sales

Cost of sales represents the costs associated with the production of copper and cobalt from the Group's mining operations and the purchase cost for the trading of mineral and metal products. The major components of cost of sales are as follows:

	2018	2017
	US$'000	*US$'000*
Mining operations:		
Realisation costs	**9,914**	6,051
Mining costs	**55,842**	42,053
Ore purchase	**75,902**	99,184
Salaries and wages	**55,205**	41,330
Processing costs	**74,996**	70,710
Engineering and technical costs	**29,434**	20,661
Safety, health, environment and community costs	**4,100**	2,717
Mine administrative expenses	**40,769**	28,422
Other costs	**326**	194
Depreciation of property, plant and equipment	**81,200**	43,377
Amortisation of mineral rights	**14,954**	7,030
Movement in inventories	**(33,752)**	(28,119)
Sub-total	**408,890**	333,610
Trading of mineral and metal products:		
Purchase of commodities	**792,259**	99,415
Total Cost of Sales	**1,201,149**	433,025

Cost of mining operations and trading of mineral and metal products increased by 22.6% to US$408.9 million (2017: US$333.6 million) and by 697% to US$792.3 million (2017: US$99.4 million) for the year ended 31 December 2018 principally due to the Kinsenda Mine coming into commercial production and the commencement of operation of Shanghai Jinchuan Junhe respectively.

The decrease in ore purchases was due to lower foreign ore receipts at the Ruashi Mine. Significant increase in depreciation cost was due to the commencement of commercial production of Kinsenda Mine in early 2018 and the start of crown pillar mining at Chibuluma South Mine from November 2018 onwards. Movement in inventories includes the recognition of impairment of inventories, provided to cobalt hydroxide on hand as at 31 December 2018. Subsequent to year end, there was a sharp decline in cobalt market price and as a result, an impairment of inventories US$22,809,000 was recognized.

Gross Profit

Gross profit of the Group increased by 71.1% from US$116.2 million for the year ended 31 December 2017 to US$198.8 million for the year ended 31 December 2018. The increase in cobalt prices in the first half of 2018 and the increase in copper production volume were the main causes of increase in gross profit.

Gross profit margin decreased from 21.2% in 2017 to 14.2% in 2018. Despite being able to provide a steady income stream, the expansion of trading business has led to the decrease in the Group's overall gross profit due to its nature of slim margin, fast turning, fast settlement characteristic in trading industry.

Net Financing Costs

	2018	2017
	US$'000	*US$'000*
Financing income	**1,984**	986
Financing cost	**(24,056)**	(8,673)
	(22,072)	(7,687)

The net financing costs increased by 187.1% from US$7.6 million in 2017 to US$22.1 million in 2018. Increase in financing cost relates to the cessation of capitalization of finance cost to the Kinsenda Mine's construction cost and the increase in bank loan interest rates, which are mainly floating and denominated in LIBOR. US$13.4 million (2018: US$Nil) was capitalised to the Kinsenda Mine's construction cost in 2017.

Other Gains and Losses

The significant increase in other losses during 2017 was mainly due to a significant unrealised exchange loss of approximately US$13.6 million derived from the conversion of value-added tax receivables denominated in CDF which depreciated. The unrealized exchange loss for the year ended 31 December 2018 was US$2.0 million.

Selling and Distribution Costs

The costs mainly represent the off-mine costs incurred when the Group sells its copper and cobalt under the mining operations, and they primarily comprise of transportation expenses, freight expenses and custom clearing expenses. The breakdown of selling and distribution costs is as follows:

	2018	2017
	US$'000	*US$'000*
Off-mine costs:		
Transportation	**3,586**	276
Freight	**–**	19,470
Clearing costs of export	**25,037**	10,946
Others	**2,403**	565
Total Selling and Distribution Costs	**31,026**	31,257

Selling and distribution costs decreased slightly by 0.7% from US$31.3 million for the year ended 31 December 2017 to US$31.0 million for the year ended 31 December 2018. The decrease in selling and distribution costs was primarily due to the decrease in freight cost where transportation were arranged by customer in 2018. This was partly offset by the increase in clearing costs of export as a result of the commencement of sale of the Kinsenda Mine's copper concentrate to Zambia for further processing in the year.

Administrative Expenses (include Royalty Expenses)

Administrative expenses increased by 136.8% from US$20.6 million for the year ended 31 December 2017 to US$48.7 million for the year ended 31 December 2018. The increase in administrative expenses was mainly due to the increase in royalties expenses, especially in the DRC, and the increase in staff cost.

Mining royalties payable to the minority shareholders and local government of the mines in the DRC and Zambia increased by 85.2% from US$18.3 million for the year ended 31 December 2017 to US$33.9 million for the year ended 31 December 2018. The new DRC Mining Code came into effect in 2018 and this has significantly increased royalties rate of commodities produced by the Group.

Provision/(Reversal) of Impairment Loss

During the year under review, the Group recorded a non-cash reversal of impairment loss of US$78.0 million on the mineral rights and properties, plant and equipment of Kinsenda (2017: US$17.1 million on mineral rights) and an additional impairment loss on Chibuluma of US$24.5 million (2017: US$Nil).

The reversal of impairment loss for the year ended 31 December 2018 was made in relation to the Kinsenda Mine in the DRC. The Kinsenda Mine commenced commercial production in early 2018 and has reached nameplate capacity in 2018. Cost can be measured more reliably for valuation purpose. Within the year, the Group has upgraded part of the Kinsenda Mine east from resource to reserve grade, leading to an increase in overall reserves volume of the Kinsenda Mine and therefore, extending the mine life of the Kinsenda Mine.

Chibuluma has four years mine life remaining and due to the deterioration of feed grade, Chibuluma may not fully recover the whole of its carrying value. An additional impairment loss was provided in the year ended 31 December 2018 as a result.

The reversal of impairment loss for the year ended 31 December 2017 was resulted from the change in value of the principal parameters used in the 2016 impairment assessment in the mining operations, mainly the higher estimated copper and cobalt price, and the lower estimated cost resulted from the successful implementation of cost control measures in 2017.

The key value of input used in the valuation comprises forecast long term copper price over LoM at a range from US$6,500 per tonne to US$7,200 per tonne (2017: US$6,500 per tonne to US$7,500 per tonne); and forecast long term cobalt price at a range from US$55,000 per tonne to US$60,012 per tonne (2017: US$55,115 per tonne). The pre-tax discount rate used in measuring value in use was 16.7%–26.2% (2017: 14.8%). The discount rate, as another key value of input, was revised upwards to reflect the increasing finance cost and the market fluctuation in commodity price during the year. Moreover, the successful launch of the Kinsenda Mine allowed the Group to make more accurate assumption on cost. Further optimization of respective current mine plans in 2017, and improvement to the cost structure have given rise to favourable effect to the reversal of the impairment loss.

Given the nature of the Group’s activities, the valuation method adopted for each mine was determined based on discounting the respective cash flow projections to derive the value in use as the recoverable amount.

Income Tax Expense

The Group is subject to taxes in the PRC, Hong Kong, the DRC, Zambia and South Africa due to its business operations in these jurisdictions. An income tax expense of US$54.8 million was derived for the year ended 31 December 2018 as compared to US$7.7 million in 2017. The increase in income tax expense was primarily due to the increase in profit before tax in 2018 as compared with 2017.

Profit for the Year

As a result of the above, the Group recorded a consolidated profit of US$94.6 million for the year ended 31 December 2018 as compared to that of US$53.4 million for the year ended 31 December 2017.

Non-IFRS Financial Measure

C1 cash cost

The term "C1 cash cost" is a non-IFRS performance measure included in this "Management Discussion and Analysis" and is prepared on a per tonne of copper sold basis. The term C1 cash cost does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. C1 cash cost is a common performance measure in the copper industry and is prepared and presented herein on a basis consistent with industry standard definitions. C1 cash costs include all mining and processing costs, mine site overheads, realization costs through to refined metal and off-site costs.

The table below reconciles the Group's C1 cash costs to the statement of comprehensive income in the financial statements of the Group for the financial year indicated.

	2018	2017
	US$'000	*US$'000*
Cash costs as reported in the income statement:		
Direct and indirect mining cost	**371,799**	342,028
Adjustment for change in inventory	**(33,618)**	(28,119)
Total operating costs	**338,181**	313,909
Less: cobalt (by-product) revenue	**(235,742)**	(186,226)
C1 cash costs	**102,439**	127,683
Copper sold *(tonnes)*	**64,101**	42,443
C1 cash cost per tonne of copper	**US$1,598/t**	US$3,008/t

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

EBITDA is used by the management to evaluate the financial performance of the Group and identify underlying trends in business that could otherwise be distorted if the impact of items that do not consider indicative of the performance of the business and/or which we do not expect to be recurring are not eliminated. Companies may use different methods of depreciating assets. Management considered the impairment loss and fair value gains are non-recurring in nature and are not relevant to our core business operations. Management believes that these measures better reflect the Company's performance for the current period and are a better indication of its expected performance in future periods. EBITDA is intended to provide additional information, but does not have any standardized meaning prescribed by IFRS.

The EBITDA of the Group is derived as follows:

	2018	2017
	US$'000	*US$'000*
Profit for the year	**94,622**	53,435
Add: Net finance costs	**22,072**	7,687
Add: Income tax expense	**54,800**	7,750
Add: Depreciation of property, plant and equipment	**81,246**	43,422
Add: Amortisation of mineral rights	**14,954**	7,030
Less: Reversal of impairment loss recognised in respect of mineral rights and properties, plant and equipment	**(77,995)**	(17,080)
Add: Impairment loss recognised in respect of mineral rights	**24,500**	–
EBITDA	**214,199**	102,244

The Company believes that in addition to conventional measures prepared in accordance with IFRS, certain investors will use the above tool and related information to evaluate the Company. It is intended to provide additional information and should not be considered in isolation nor as a substitute for measures of performance prepared in accordance with IFRS.

Issue of new shares

During the six months ended 30 June 2018, various investors including Jinchuan (BVI), an indirect wholly-owned subsidiary of JCG, which in turn is the controlling shareholder of the Company, exercised the conversion of the PSCS in an aggregate principal amount of US$996,938,461 into ordinary shares of the Company at the conversion price of HK$1.00 per share.

As a result of the Conversion and pursuant to the terms of the PSCS, on 6 June 2018, the Company allotted and issued a total of 7,776,120,000 ordinary shares to the investors including Jinchuan BVI, representing approximately 61.66% of the number of issued shares of the Company as enlarged by the aforesaid allotment and issue of ordinary shares.

These ordinary shares ranked pari passu with all the existing shares at the date of allotment and among themselves in all respects. The aggregate outstanding principal amount of the PSCS has been reduced to US$88,461,539 immediately after the Conversion. The issued share capital of the Company has been increased to 12,609,873,051 shares upon above mentioned allotment and issue of the ordinary shares.

Use of proceeds

On 20 March 2017, the Company entered into a subscription agreement with the Subscriber, an independent third party. Pursuant to the Subscription Agreement, the Company issued 483,000,000 new ordinary shares to the Subscriber by way of subscription at the price of HK$0.80 per Subscription Share, and raised gross proceeds of approximately HK$386,400,000 on 28 April 2017. The closing market price of the Company's shares was HK$1.17 per Share, which was the closing price on 20 March 2017, which being the date on which the Subscription Agreement was signed. The net price per each new share was HK$0.796. The said subscription of shares was intended to serve as a strategic cooperative partnership between the Group and the Subscriber, whereby the Group could leverage on the additional funding from the Subscription to strengthen its financial position and enhance its funding liquidity for internal operations of the Group, while further broadening the shareholder base and capital base of the Group. The net proceeds had been used for general working capital purposes in the year ended 31 December 2017 as intended.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, the Group had bank balances and cash of US$78.9 million as compared to US$75.2 million as at 31 December 2017.

As at 31 December 2018, the Group had total bank borrowings of US$289.3 million (2017: US$365.3 million) in which the bank borrowings of US$165.5 million (2017: US$133.9 million) are due within one year, bank borrowings of US$123.8 million (2017: US$197.4 million) are due within 2 to 5 years and no bank borrowings (2017: US$34 million) due over 5 years.

As at 31 December 2018, the Group had loans from related companies of US$131.9 million (2017: US$126.2 million) which are due within one year.

The gearing ratio of the Group as at 31 December 2018 was 34.9% compared to 47.8% as at 31 December 2017. Gearing ratio is defined as net debt over total equity, and net debt is derived from total borrowings (including amount due to an intermediate holding company and amount due to a fellow subsidiary) less bank balances and cash. The decrease in the gearing ratio was due to the decrease in bank borrowings in 2018 as compared to 2017 and increase of net asset in 2018. The Group has repaid part of the bank borrowings using cashflow generated from the Kinsenda.

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

Material Acquisitions and Disposals of Investments

During the year ended 31 December 2018, there is no material acquisition or disposal of subsidiaries, associates and joint ventures.

Significant Events

On 12 December 2017, the Group entered into a joint venture agreement (the "**JV Agreement**") with Junhe Holdings, a company established in the PRC and a subsidiary of Junhe Group in relation to the formation of Shanghai Jinchuan Junhe, a limited liability company in the PRC.

Pursuant to the JV Agreement, the initial shareholding of Shanghai Jinchuan Junhe would be held as to 60% by the Group and as to 40% by Junhe Holdings and the total registered capital (which was equal to the total investment to be made by the Group and Junhe Holdings) of Shanghai Jinchuan Junhe was RMB100 million.

On 7 September 2018, the Group entered into a further joint venture agreement with Junhe Holdings to revise the registered capital of Shanghai Jinchuan Junhe to RMB500 million. The remaining contribution of RMB400 million will have paid by the parties in tranches in accordance with Shanghai Jinchuan Junhe's requirement. As at 31 December 2018, a total of RMB250 million capital was contributed by the parties.

On 16 August 2018, Ruashi entered into a strategic cooperation framework agreement (the "**Strategic Cooperation Framework Agreement**") with Chengtun Mining Group Co., Ltd* (盛屯礦業集團股份有限公司) ("**Chengtun Mining**") pursuant to which and subject to the terms of any definitive agreement(s), Chengtun Mining intended to purchase and Ruashi intended to sell the oxide ore emanating from the Dilala West ore body in the Musonoi Project, a developing copper and cobalt project owned by Ruashi and situated in Kolwezi, the DRC.

The Strategic Cooperation Framework Agreement merely provides a framework of cooperation between Ruashi and Chengtun Mining. The terms of cooperation contemplated under the Strategic Cooperation Framework Agreement are subject to the terms of any definitive agreement(s) which Ruashi and Chengtun Mining may subsequently enter into from time to time.

Significant Capital Expenditures

During the year, the Group acquired property, plant and equipment amounting to US$14.7 million (2017: US$26.4 million) and incurred expenditures on exploration and evaluation assets amounting to US$18.4 million (2017: US$30.7 million) for the Group's mining operations.

Details of Charges on the Group's Assets

As at 31 December 2018, no inventories (2017: US$4.2 million) and trade and other receivables (2017: US$3.9 million) of the Group were pledged to secure general banking facilities granted to the Group.

Details of Contingent Liabilities

As disclosed in the interim results announcement dated 15 August 2018, in 2017, the Group received a claim from a non-controlling shareholder of a subsidiary of the Group, requesting for payment of overdue royalties for years from 2009 to 2017, together with interest, mineral content fee and alleged compensation for loss of the dividend.

The Group received in June 2018 from the same party a demand for payment of overdue royalties together with a claim for interest and compensation aforesaid amounting in aggregate to approximately US$100 million.

After consultation with legal and related advisors, the Group is of a view that the claim for interest and compensation are unfounded and without merit or legal basis. The Group has commenced arbitration proceedings and the formal hearing is expected to be held in the International Court of Arbitration in Paris, France in October 2019.

Meanwhile, for overall business strategic purpose, an amicable settlement is being considered. As at the date of this announcement, the claims are still on-going. Against the background, the Group has made a provision as at 31 December 2018.

Foreign Exchange Risk Management

The reporting currency of the Group is US$ and the functional currencies of subsidiaries of the Group are mainly US$ and RMB. The Group is also exposed to currency change in HK$, ZAR, CDF and ZMW. Given the exchange rate peg between HK$ and US$, the Group is not exposed to significant exchange rate risk of HK$. The Group's significant assets are in the DRC, Zambia and the PRC and the Group is exposed to fluctuation in CDF, ZAR and RMB. The Group monitors its exposure to foreign currency exchange risk on an on-going basis.

MINERAL RESOURCES AND MINERAL RESERVES

The Group's Mineral Resources as at 31 December 2018 are estimated to contain 4,657kt copper and 374kt cobalt. Ruashi Mine contains 623kt copper and 92kt cobalt; Chibuluma South Mine (including Chifupu deposit) contains 83kt copper; Kinsenda Mine contains 1,210kt copper; Musonoi Project contains 1,023kt copper and 282kt cobalt; and Lubembe Project contains 1,718kt copper.

The Group's Mineral Reserves as at 31 December 2018 are estimated to contain 1,162kt copper and 192kt cobalt. Ruashi Mine contains 190kt copper and 26kt cobalt; Musonoi Project contains 590kt copper and 165kt cobalt; Chibuluma South Mine (including Chifupu deposit) contains 12kt copper; and Kinsenda Mine contains 370kt copper.

PROSPECT

Commodities prices made a strong recovery in 2017 and continued to do so in the first half of 2018. As a result, cobalt prices reached a 10 year high in mid-2018. Cobalt prices however experienced a sharp decline from July 2018 owing to the rising supplies produced by artisanal miners in the DRC, and a surplus in supply of cobalt chemicals for the production of rechargable batteries for electric vehicles in China.

We are confident that the demand and supply of cobalt will remain strong and cobalt prices will bounce back. Analysts predict that the demand for cobalt will grow from 125,000 tonnes in 2018, of which the electric vehicle battery sector accounts for 20%, to 185,000 tonnes and 35% respectively in 2023. We also anticipate that as manufacturers and traders drain their stock, the year long downward trend of cobalt prices will come to an end, and heathier and more sustainable demand for it will lead the gradual recovery of cobalt prices.

Copper demand from the PRC will also remain strong. PRC Custom figures show that the annual copper concentrate import rose to an all-time high of 19.72 million tonnes in 2018, representing a 13.7% increase compared to 2017. Copper price is expected to remain stable in 2019.

With the Kinsenda Mine already producing at full capacity, the Group's focus in the near future is the construction of the Musonoi copper-cobalt mine in Kolwezi, the DRC and the development of the Ruashi's sulphide deposit. Early stage construction work was started at Musonoi Project in late 2018. Exploration work will continue in Ruashi sulphide zone below oxide, Musonoi Project deeper area and Kinsenda Mine infill drilling.

To be a world-class mineral corporation is the ultimate goal of the Group, apart from the existing operations in Africa and the recent set-up trading arm in Shanghai, the Group will actively look into the market and seek for investment opportunities which can provide the Group with growth and synergies while strictly comply with the regional regulation in order to give investors and Shareholders confidence in supporting the Group.

Also, with the continuous support of the JCG and prudent strategic planning of the Board, the Group remains confident that the performance of the Group will overcome the disadvantages and stand out from the crowd under such unfavorable market conditions, and create values for the stakeholders of the Company.

EMPLOYEES

As at 31 December 2018, the Group had 1,850 (2017: 1,985) permanent workers and 2,453 (2017: 2,317) contractor's employees. Employees of the Group receive competitive remuneration packages including salary and medical and other benefits. Key staff may also be entitled to performance bonus and grant of options shares of the Company.

DIVIDEND

The Directors recommend the payment of a final dividend of HK0.1 cent per share, totaling HK$12,609,873. Subject to obtaining the approval at the forthcoming annual general meeting of the Company, the final dividend is expected to be paid on or before 16 August 2019.

EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE INFORMATION

Audit Committee

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, financial reporting matters and the continuing connected transactions of the Group for the year ended 31 December 2018. The audited annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee. The Group's consolidated financial statements for the year ended 31 December 2018 have been audited by the Company's auditor, 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, as its own code of conduct regarding Directors' dealings in the Company's securities. Following specific enquiry made to all Directors, the Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2018.

Corporate Governance Code

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018, except for Code Provision E.1.2.

Code Provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Mr. Chen Dexin, the Chairman of the Company, was unable to attend the Company's annual general meeting held on 26 June 2018 (the "**2018 AGM**") as he had conflicting business schedule. Other Directors, members of the Audit Committee, Remuneration and Nomination Committee, Risk Management Committee, Strategy and Investment Committee and Chief Financial Officer attended the 2018 AGM. The Company considers that their presence was sufficient to answer questions from, and to maintain effective communication with, Shareholders present at the 2018 AGM.

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 2018.

PUBLICATION OF FINANCIAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is available for viewing on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2018 will be dispatched to Shareholders and published on the Stock Exchange and the Company's websites respectively in due course.

GLOSSARY

"Acquisition/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 which 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
"CDF"	Congolese Franc, the lawful currency of the DRC
"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
"Chibuluma"	Chibuluma Mines plc, a company incorporated in Zambia and an indirect non wholly-owned subsidiary of the Company
"Chibuluma South Mine"	an underground copper mine owned by Chibuluma situated in Zambia near the town of Kalulushi

"Chifupu Deposit"	a copper deposit under operation owned by Chibuluma situated in Zambia which is located approximately 1.7 km southwest of Chibuluma South Mine
"Co"	cobalt
"Completion"	completion of the Subscription in accordance with the terms of the Subscription Agreement
"Conversion"	The conversion exercised by various investors including Jinchuan (BVI), an indirect wholly-owned subsidiary of JCG, which in turn is the controlling shareholder of the Company, in respect of the conversion of the PSCS in an aggregate principal amount of US$996,938,461 into conversion shares at the conversion price of HK$1.00 per Share
"Cu"	copper
"Directors"	the director(s) of the Company
"DRC"	the Democratic Republic of Congo
"EBITDA"	Earning before interest (net finance cost), income tax, depreciation and amortisation and impairment loss
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"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 Company
"Jin Rui"	Jin Rui Mining Investment Limited, a company incorporated in the Republic of Mauritius and a direct wholly-owned subsidiary of the Company

"Junhe Group"	Shanghai Junhe Group Co., Ltd, a company established in the PRC and the holding company of Junhe Holdings
"Junhe Holdings"	Junhe Holdings Limited, a company established in the PRC and a subsidiary of Junhe Group
"Kinsenda"	Kinsenda Copper Company SA, a company incorporated in the DRC and an indirect non wholly-owned subsidiary of the Company
"Kinsenda Mine"	an underground copper mine owned by Kinsenda and situated in Katanga Province in the DRC
"km"	Kilometer(s)
"kt"	thousand tonnes
"Lanzhou Jinchuan"	蘭州金川新材料科技股份有限公司 (Lanzhou Jinchuan Advanced Materials Technology Co., Ltd.*), a company incorporated in the PRC, approximately 99% interest of which is indirectly held by JCG
"LIBOR"	the London Interbank Offering Rate
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"LoM"	Life of mine
"Lubembe Project"	a greenfield copper project owned by Kinsenda and situated in the Katanga Province in the DRC
"Metorex"	Metorex (Proprietary) Limited, a company incorporated in South Africa and an indirect wholly-owned subsidiary of the Company
"Metorex Group"	Metorex and its subsidiaries (including Chibuluma, Kinsenda and Ruashi), the mining operation arm of the Group

“Mineral Resources”	a concentration or occurrence of material of economic interest in or on the earth’s crust in such a form, quality, and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, or estimated from specific geological evidence, sampling and knowledge interpreted from an appropriately constrained and portrayed geological model
“Mineral Reserves”	the economically mineable material derived from measured or indicated grade Mineral Resources or both. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project and a LoM plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed
“Musonoi Project”	a developing copper and cobalt project owned by Ruashi and situated in Katanga Province in the DRC
“PRC”	the People’s Republic of China
“PSCS”	the perpetual subordinated convertible securities issued by the Company to satisfy part of the purchase price for the Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“Ruashi”	Ruashi Mining SAS, a company incorporated in the DRC and an indirect non wholly-owned subsidiary of the Company

"Ruashi Mine"	an opencast oxide copper and cobalt mine owned by Ruashi and situated in the DRC on the outskirts of Lubumbashi, the capital of Katanga province
"Shanghai Jinchuan Junhe"	上海金川均和經濟發展有限公司 (Shanghai Jinchuan Junhe Economic Development Co., Ltd*), a company incorporated in the PRC and a 60% owned subsidiary of the Company
"Share(s)"	Ordinary share(s) of HK$0.01 each in the share capital of the Company listed on the Stock Exchange
"Shareholder(s)"	the holder(s) of the Share(s)
"South Africa"	the Republic of South Africa
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	SD Hi-Speed Investment HK Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SD Hi-Speed Huanbohai (Tianjin) Equity Investment Fund (Limited Partnership)*
"Subscription"	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
"Subscription Agreement"	the agreement entered into between the Company and the Subscriber on 20 March 2017, pursuant to which the Company conditionally agreed to allot and issue and the Subscriber conditionally agreed to subscribe for the Subscription Shares in accordance with the terms and conditions set out therein
"Subscription Share"	the total of 483,000,000 Shares allotted and issued by the Company to the Subscriber at Completion
"US$"	United States Dollars, the lawful currency of the United States of America

"Zambia"	the Republic of Zambia
"ZAR"	South African Rand, the lawful currency of South Africa
"ZMW"	Zambian Kwacha, the lawful currency of Zambia
"%"	percentage

By order of the Board
JINCHUAN GROUP INTERNATIONAL RESOURCES CO. LTD
Wong Hok Bun Mario
Company Secretary

* *For identification purposes only*

Hong Kong, 19 March 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Gao Tianpeng and Mr. Qiao Fugui; three non-executive Directors, namely Mr. Chen Dexin, Mr. Zhang Youda and Mr. Zeng Weibing; and three independent non-executive Directors, namely Mr. Wu Chi Keung, Mr. Yen Yuen Ho, Tony and Mr. Poon Chiu Kwok.