中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00661

Annual Report 2013

Mineral Resources

Hubei Mines

Daye City

1. **Tonglvshan Mine**
2. **Tongshankou Mine**

Yangxin County

3. **Fengshan Mine**
4. **Chimashan Mine**

Xinjiang Mines

Wuqia County

5. **Sareke Copper Mine**

Hami City

6. **Hami Mine**

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Corporate Information

Board of Directors

Executive Directors:

Zhang Lin *(Chairman)*
Long Zhong Sheng *(Chief Executive Officer)*
Zhai Baojin
Tan Yaoyu

Independent Non-executive Directors:

Wang Qihong
Wang Guoqi
Qiu Guanzhou

Audit Committee/ Remuneration Committee

Wang Guoqi *(Chairman)*
Wang Qihong
Qiu Guanzhou

Nomination Committee

Zhang Lin *(Chairman)*
Wang Guoqi
Wang Qihong
Qiu Guanzhou

Company Secretary

Yeung Wing Kwan

Legal Advisers

As to Hong Kong law:
Paul Hastings

As to Bermuda law:
Conyers, Dill & Pearman

Auditor

Deloitte Touche Tohmatsu

Bankers

Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Bank of Communications Co., Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Unit 2001, World Wide House,
19 Des Voeux Road Central,
Hong Kong

Principal Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Branch Registrar

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Stock Codes

Ordinary shares: 661
Preference shares: 421

Biographical Details of Directors

Executive Directors

Mr. Zhang Lin, aged 51, has been the Chairman and an executive director of the Company since 2012. Mr. Zhang obtained a bachelor's degree in mineral engineering from Central South University (中南大學) in 1986 and a doctorate degree in mineral processing engineering from Central South University (中南大學) in 2008. Mr. Zhang was accredited as a senior engineer in mineral processing by the Employees Reform Office of Hubei Province in April 2004. Since 2005, Mr. Zhang had served as the deputy manager, the general manager and a director of Daye Nonferrous Metals Co., Ltd ("Daye Metal"), a subsidiary of the Company. Mr. Zhang was also the deputy manager and the manager of 大冶有色金屬集團控股有限公司 (Daye Nonferrous Metals Corporation Holdings Limited) (the "Parent Company") from 1998 to 2010. He is currently the chairman and director of the Parent Company, Daye Metal and the Company. Mr. Zhang has over 25 years of experience in mineral processing.

Mr. Long Zhong Sheng, aged 50, has been the Chief Executive Officer and an executive director of the Company since 2012 and 2011, respectively. Mr. Long obtained a bachelor's degree in mining engineering from Central South University (中南大學) in 1987. He holds a master's degree in mineral processing from Central South University (中南大學) and is a senior mineral processing engineer. He began his career in mining engineering at 豐山銅礦 (Feng Shan Copper Mine) in the People's Republic of China (the "PRC") in 1987 and acted as its chief executive from 1998 to 2002. He had also been the chief executive of 銅綠山礦 (Tong Lu Shan Mine) in the PRC from 2006 to 2008. Mr. Long has over 25 years of experience in the management field of mining industry.

Mr. Zhai Baojin, aged 46, has been an executive director of the Company since 2012. Mr. Zhai is graduated in economics and management from the Party School of Hubei Province in 2007. Mr. Zhai was accredited as a senior engineer in metallurgy by the Employees Reform Office of Hubei Province in June 2006. Mr. Zhai joined Daye Metal in April 2005 and was appointed as its director in September 2006 and has also served as its general manager. He had served as the factory head of the smelting plant located in No. 1, Yelian Road, Xin Xialu, Huangshi City, Hubei Province, the PRC, and also the deputy general manager in general affairs and the deputy general manager of Daye Metal since April 2005. Mr. Zhai was the technician, factory head and the deputy manager of the Parent Company from 1986 to 2010. Mr. Zhai is currently the deputy manager and a director of Parent Company. Mr. Zhai has over 25 years of experience in the smelting industry.

Mr. Tan Yaoyu, aged 40, has been an executive director of the Company since 2012. Mr. Tan is also the director of Daye Metal and has over 19 years of experience in the mining industry. Mr. Tan is graduated in economics and management from the Party School of Hubei Province in 2007. Mr. Tan was accredited as a senior accountant by the Employees Reform Office of Hubei Province in December 2010. Mr. Tan joined Daye Metal in December 2008 and served as its financial director until October 2009. Mr. Tan was then appointed as a director of Daye Metal in September 2011. He is currently the chief accountant and a member of the Standing Committee of the Parent Company. Prior to joining Daye Metal, Mr. Tan was the deputy financial director and the cost controller of the Parent Company from 1998 to 2008.

Biographical Details of Directors

Independent non-executive Directors

Mr. Wang Guoqi, aged 52, has been an independent non-executive director of the Company since 2006. Mr. Wang is a qualified accountant of The Chinese Institute of Certified Public Accountants, the PRC. Mr. Wang has extensive experience in accounting and financing areas in different industries. Currently, he is the managing partner of Hua-Ander Certified Public Accountants in the PRC. Mr. Wang holds a bachelor's degree in financial accounting and a master's degree in economics from Renmin University of China in 1982 and 1985, respectively, and also a doctor's degree in philosophy from The University of London, the United Kingdom.

Mr. Wang Qihong, aged 60, has been an independent non-executive director of the Company since 2006. Mr. Wang has extensive experience in postal and tele-communications field in the PRC. Mr. Wang was a deputy manager of Town Khan Limited from 1992 to 2001. Mr. Wang graduated in foreign language from Liaoning University, the PRC.

Mr. Qiu Guanzhou, aged 64, has been an independent non-executive director of the Company since 2009. Mr. Qiu obtained his master's and doctor's degree of engineering from the Central South University. Mr. Qiu has gained extensive and practical experience during his term of service as an officer responsible for administration and technology on the front line of a copper smelting enterprise. Mr. Qiu has been focusing on the teaching of and scientific research on mining engineering in the Central South University of Technology since 1987. Since 1990, he has acted as head of the Department of Mining Engineering of the Central South University of Technology and vice-president of the Central South University of Technology and the Central South University. Mr. Qiu is a renowned expert, professor and supervisor of doctorate students in the field of mining engineering in China.

Company Secretary

Ms. Yeung Wing Kwan, aged 31, has been the company secretary of the Company (the "Company Secretary") since 2012. Ms. Yeung graduated with a bachelor's degree in commerce from The University of Sydney. She is a member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has many years of company secretary practice in listed companies in Hong Kong.

Chairman's Statement

Zhang Lin
Chairman of the Board

The Company endeavors to become a "world-class copper enterprise widely recognized in the global market". We strive for excellence in quality and work hard to be a model enterprise for the society.

Adhering to the "market- oriented and efficiency- focused" management philosophy, the Company will push ahead with its five core development strategies, i.e., "Resources Enhancement, Scale Expansion, Structural Optimisation, Efficient Use of Capital Markets and Growth of Talents", in order to drive the second boom for corporate development of China Daye.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Daye Non-Ferrous Metals Mining Limited (the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholders") the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

In 2013, the sluggish global economic recovery and the slowdown in the growth of the domestic economy in the PRC from rapid to moderate resulted in the slump in overall non-ferrous metal prices while labour cost increased significantly. Despite the adverse environment, the Company still sustained a stable and rapid development momentum. Revenue from business operations for the year ended 31 December 2013 amounted to approximately RMB43,598,452,000 (2012: RMB28,878,123,000), representing a year-on-year growth of approximately 51%. Loss attributable to owners of the Company was approximately RMB1,949,229,000 (2012: a profit of RMB157,176,000), though this was mainly attributable to the impairment for goodwill and mining rights of RMB2,147,839,000 made during the period. Without taking into account these impairment losses, the Group actually recorded a profit attributable to shareholders of RMB198,610,000.

Operation Results

Production targets for the year were fulfilled through streamlined organization and production processes. A total of approximately 21,900 tonnes of mined copper was produced. The Company also produced 430,400 tonnes of copper cathode, up by 56.4% from the previous year; 557 tonnes of precious metals (including 14.3 tonnes of gold, 531.52 tonnes of silver, 20 kg of platinum and 272 kg of palladium and 11 tonnes of tellurium), up by 40.25% year-on-year; 981,500 tonnes of chemical products (including 980,300 tonnes of sulphuric acid, 430 kg of ammonium perrhenate, 310 tonnes of nickel sulphate, 805 tonnes of copper sulfate, 64 tonnes of selenium dioxide and 84 tonnes of crude selenium), up by approximately 24.12% year-on-year; and 260,100 tonnes of iron concentrate.

Procurement plan was flexibly adjusted in line with the changes in the copper market to cater for the metallurgy and production needs and enhance operation efficiency. The Company recorded satisfactory results in product sales through futures sales, combination of spot and futures sales, long-term contract sales, and bidding and auctions. As for futures sales, we improved the operation and product pool for higher efficiency and individual sales executives were assigned with sales targets.

In response to market changes, the Company actively explored profit sources by carrying out entrepot trade, arbitrage trade and spot trade of copper and silver, importing raw materials and providing agency service for imported equipment and biodiesel.

Market Prospects

The global economy remains highly uncertain in 2014. From a macro-economic perspective, the dampened global economic recovery and the tapering off by the US Federal Reserve of its quantitative easing policy fuelled a wait-and-see market sentiment. The prices of major products fluctuated while the overall demand of the nonferrous metal market remained intact. The expansion in production scale was on a rapid momentum. In 2013, the output of copper concentrate in the PRC amounted to 6,838,750 tonnes, representing an increase of 17.43% as compared to 2012.

Chairman's Statement

In accordance with the International Copper Study Group, the global output of copper concentrate is expected to increase by 4.1% to 21,620,000 tonnes in 2014. China is currently a major producer of copper concentrate in the world and it is expected that the copper concentrate produced by China in 2014 will account for 30% of the total output in the world. Nevertheless, China also has the largest demand for copper concentrate in the world, accounting for 39.6% of the total demand in the world.

As for the domestic economy in PRC, the growth momentum remains uninspired. The problems of oversupply lingers in the non-ferrous metal industry, excess production capacity, low industrial concentration and pressure of energy conservation and emission reduction are still retained.

In respect of imports, the domestic productivity will continue to expand with anticipated increase in the global output of copper concentrate. The import volume of copper concentrate is expected to reach 12,400,000 tonnes. The Group is expected to import around 700,000 tonnes of copper concentrate.

Based on the above factors, the main objective of the Group is to focus on the development and core profitability of the Company. The Group will maintain its competitive advantages via the construction and expansion of mines and smelting system so as to enhance its market competitiveness. In addition, the Group benefits from its new projects that have been gradually put into operation in recent years, which also strengthen its performance in various segments as the Group continues to expand its diversified development. The Group will also continue to maintain its organic growth and at the same time seek opportunities for merger and acquisition as its long-term investment strategy.

I deeply believe that we will bring a higher value to our Shareholders with the continuous growth in China and the steady implementation of the strategies of the Company. I am expecting to share with all the Shareholders more benefits from the positive development of the Company in the coming year.

Last but not least, I, on behalf of the Board, would like to thank all the Shareholders and the dedicated and diligent staff for their continuous support to the Group. I, on behalf of the Group, hereby express our deep gratitude to our customers, suppliers and other business partners for their confidence and trust in the Group.

Zhang Lin
Chairman of the Board

Management Discussion and Analysis

Business Review

For the year ended 31 December 2013, the Group recorded revenue of approximately RMB43,598,452,000 (2012: RMB28,878,123,000), representing an increase of approximately 51% from the previous year. The increase was mainly attributable to the significant increase in trading of metals during the period.

Gross profit grew by RMB33,061,000 to RMB896,040,000, compared with RMB862,979,000 in the same period of 2012. This increase in gross profit was mainly due to expansion of business and implementation of cost control measures to lower the production costs.

The Group reported a loss attributable to owners of the Company of RMB1,949,229,000 for the year ended 31 December 2013, representing a decrease in the profit attributable to owners of the Company of RMB157,176,000 reported for the corresponding period last year by RMB2,106,405,000. However, this significant decrease in results was mainly attributable to the impairment for goodwill and mining rights of RMB2,147,839,000 made during the period. Such impairment losses were made in relation to the unfavorable future prospect of the Group's business due to the forecasted fall of selling prices of the Group's products and expected decrease in profit margin as a result of the slowdown of the global economy.

Without taking into account these impairment losses, the Group actually had a profit of RMB198,610,000 attributable to the owners of the Company for the year ended 31 December 2013, representing an increase of 26.4% from last year and reflects the expansion of business and implementation of cost control measures to lower the Group's production costs.

Cost of sales

For the year ended 31 December 2013, the cost of sales/services of the Group amounted to approximately RMB42,702,412,000 (2012: RMB28,015,144,000), representing an increase of approximately 52.4% from the previous year, which was primarily due to the decrease in the gross profit of gold trading as a result of the decrease in prices of copper, gold and silver and significant market fluctuation.

Administrative expenses

Administrative expenses for the year ended 31 December 2013 amounted to approximately RMB344,211,000 (2012: RMB392,220,000), representing approximately a 12.2% decrease from the previous year. The decrease was primarily due to the decrease in the maintenance fee and various office expenses.

Finance costs

Finance costs for the year ended 31 December 2013 amounted to approximately RMB536,801,000 (2012: RMB368,100,000), representing an increase of approximately 45.8% from the previous year, which was primarily due to the significant increase in financing activities during the period.

Loss/profit before tax

As a result of the foregoing factors, loss before tax for the year ended 31 December 2013 was approximately RMB(1,937,336,000) (2012: profit of RMB181,643,000).

Income tax expense/credit

Income tax expense for the year ended 31 December 2013 amounted to approximately RMB30,389,000, representing an increase of approximately 68.9% from the previous year (2012: RMB17,991,000). The increase reflects the growth of profit without taking into account of the impairment losses of goodwill and mining right.

Management Discussion and Analysis

Loss/profit for the year

As a result of the foregoing factors, loss for the year ended 31 December 2013 amounted to approximately RMB1,967,725,000 (2012: profit for the year of RMB163,652,000).

Loss/earnings per share

For the year ended 31 December 2013, basic loss per share amounted to RMB11.25 fen, representing a decrease of approximately RMB12.21 fen from the previous year.

Mineral Resources and Ore Reserves

As at 31 December 2013, the Company held a total of six mines located in Hubei and Xinjiang.

The following table sets out the mineral information of each mine as at 31 December 2013.

Abundant and high quality mineral resources

	Hubei Mines								Xinjiang Mines			
	Tonglvshan Mine		Fengshan Mine		Tongshankou Mine		Chimashan Mine		Sareke Copper Mine		Hami Mine	
Geographical location	Daye City		Yangxin County		Daye City		Yangxin County		Wuqia county		Hami City	
Ownership	95.35%		95.35%		95.35%		95.35%		55%		80%	
Approximate total area (square kilometres)	4.76		2.35		1.71		0.44		1.23		11.14	
Year for operation commencement	1971		1972		1984		1958		Commercial production not yet commenced		Commercial production not yet commenced	
Metals with economic values available for exploration	Copper, gold, silver and iron		Copper, gold, silver and molybdenum		Copper, gold, silver and molybdenum		Copper, gold, silver and molybdenum		Copper, silver		Copper	
Major products	Copper concentrate (containing gold, silver), iron concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing silver)		Copper concentrate	
Average copper grade	1.11%		0.8%		0.61%		0.85%		1.08%	0.82%	0.71%	0.66%
JORC classification	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred
Ore quantity (million tonnes)	15.35	15.44	13.09	9.60	37.44	19.97	0.297	0.256	18.59	1.90	21.47	8.45
Resources metal quantity												
Copper (tonnes)	175,100	165,900	107,400	74,800	235,200	113,200	1,640	3,040	200,030	15,540	152,000	55,400
Iron (million tonnes)	13.03	11.34	–	–	–	–	–	–	–	–	–	–
Molybdenum (tonnes)	–	–	600	940	3,240	4,610	2	35	–	–	–	–
Gold (ounce)	282,000	310,000	–	–	–	–	–	–	–	–	–	–
Silver (thousand ounce)	2,350	3,140	–	–	–	–	–	–	–	–	–	–

Notes: (1) The mineral resources and ore reserves in the above table are estimated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Australasian Joint Ore Reserves Committee comprising representatives from the Minerals Council of Australia, the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists (the "JORC Code").

(2) All resources quantities are estimated based on information up to 31 December 2013 for the Hubei Mines and Sareke Copper Mine and 31 July 2011 for Hami Mine. There was no material change during the period from 31 July 2011 to 31 December 2013 on the estimates for Hami Mine.

Management Discussion and Analysis

Tonglvshan Project Summary

As at 31 December 2013, according to JORC standard, copper mineral resources and copper ore reserves of the Tonglvshan Project amounted to 341,000 tonnes and approximately 30.79 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

	Copper and Iron			Gold and Silver		
JORC classification (In licence CuEq>0.3%)	**Quantity** *(million tonnes)*	**Cu** *(%)*	**Fe** *(%)*	**Quantity** *(million tonnes)*	**Au** *gram/ tonne*	**Ag** *gram/ tonne*
Resources						
Indicated	15.35	1.14	27.59	13.03	0.67	5.60
Inferred	15.44	1.07	29.66	11.34	0.85	8.62
Total	**30.79**	**1.11**	**28.63**	**24.37**	**0.76**	**7.00**
Reserves						
Probable (in mining licence)	10.83	1.22	25.38	10.83	0.60	4.22
Probable (in exploration licence)	2.42	0.67	33.47	2.42	0.46	6.35
Total Probable	**13.25**	**1.12**	**26.86**	**13.25**	**0.57**	**4.61**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 December 2013. Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

As at 31 December 2013, according to PRC standard, copper mineral resources and copper ore reserves of the Tonglvshan Project amounted to 493,197 tonnes and approximately 35.12 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (PRC standard)

	Accumulated			Retained		
Mines types	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	8,258	1,342,197	1.63	3,512	493,197	1.404
Iron	7,424	–	39.42	3,308	–	36.3
Molybdenum	61	921	0.151	54	867	0.16
Associated gold	7,727	83	1.07g/t	3,193	32	1.01g/t
Associated silver	7,727	681	8.81g/t	3,193	293	9.15g/t

Note:

(1) The PRC resources reserve report was prepared by Daye Non-ferrous Design and Research Institute Company Limited (大冶有色設計研究院有限公司) and was verified by the Department of Land and Resources of Hubei Province as a valid report.

Management Discussion and Analysis

Fengshan Project Summary

As at 31 December 2013, according to JORC standard, copper mineral resources and copper ore reserves of the Fengshan Project amounted to 182,200 tonnes and approximately 22.69 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

				Metal Quantity	
JORC classification (In licence CuEq>0.3%)	**Quantity** *(million tonnes)*	**Cu** *(%)*	**Mo** *(%)*	**Cu** *(tonne)*	**Mo** *(tonne)*
Resources					
Indicated	13.09	0.82	0.005	107,400	600
Inferred	9.60	0.78	0.010	74,800	940
Total	**22.69**	**0.80**	**0.007**	**182,200**	**1,540**
Reserves					
Probable	4.36	1.01	0.004		
Total Probable	**4.36**	**1.01**	**0.004**		

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 December 2013. Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

As at 31 December 2013, according to PRC standard, copper mineral resources and copper ore reserves of the Fengshan Project amounted to 188,396 tonnes and approximately 21.33 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (PRC standard)

	Accumulated			Retained		
Mines types	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	5,234	511,433	0.98	2,133	188,396	0.88
Associated gold	5,437	18	0.34g/t	2,336	7	0.29g/t
Associated silver	5,437	977	17.97g/t	2,336	359	15.36g/t
Coexisting and associated Molybdenum	2,710	3,652	0.135	271	3,891	0.135

Note:

(1) The PRC resources reserve report was prepared by Daye Non-ferrous Design and Research Institute Company Limited (大冶有色設計研究院有限公司) and was verified by the Department of Land and Resources of Hubei Province as a valid report.

Management Discussion and Analysis

Tongshankou Project Summary

As at 31 December 2013, according to JORC standard, copper mineral resources and copper ore reserves of the Tongshankou Project amounted to 348,400 tonnes and approximately 57.41 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity *(million tonnes)*	Cu *(%)*	Mo *(%)*
Resources				
In licence	Indicated	10.05	0.58	0.010
open cut area	Inferred	0.13	0.56	0
CuEq>0.2%	**Total**	**10.18**	**0.58**	**0.010**
In licence	Indicated	27.34	0.65	0.008
underground area	Inferred	17.25	0.58	0.022
CuEq>0.3%	**Total**	**44.59**	**0.62**	**0.013**
Out of licence	Indicated	0.05	0.40	0.034
underground area	Inferred	2.59	0.46	0.033
CuEq>0.3%	**Total**	**2.64**	**0.46**	**0.033**
Total	Indicated	37.44	0.63	0.009
open cut & underground area	Inferred	19.97	0.56	0.023
in and out of licence	**Total**	**57.41**	**0.61**	**0.014**
Reserves				
Open cut area	Probable	7.37	0.64	0.010
Underground area	Probable	6.78	0.85	0.007
	Total	**14.15**	**0.74**	**0.010**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 December 2013. Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

Management Discussion and Analysis

As at 31 December 2013, according to PRC standard, copper mineral resources and copper ore reserves of the Tongshankou Project amounted to 321,800 tonnes and approximately 37.04 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (PRC standard)

Mines types	Accumulated Ore quantity *(10,000 tonnes)*	Accumulated Metal quantity *(tonne)*	Accumulated Grade *(%)*	Retained Ore quantity *(10,000 tonnes)*	Retained Metal quantity *(tonne)*	Retained Grade *(%)*
Copper	6,206	521,168	0.84	3,704	321,800	0.87
Low grade copper	1,244	45,912	0.37	932	34,105	0.36
Molybdenum	6,331	26,347	0.0416	4,332	16,026	0.37
Associated Molybdenum	4,837	18,280	0.038	3,610	13,749	0.037

Note:

(1) The PRC resources reserve report was prepared by Daye Non-ferrous Design and Research Institute Company Limited (大冶有色設計研究院有限公司) and was verified by the Department of Land and Resources of Hubei Province as a valid report.

Chimashan Project Summary

As at 31 December 2013, according to JORC standard, copper mineral resources and copper ore reserves of the Chimashan Project amounted to 4,680 tonnes and approximately 553,000 tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity *(million tonnes)*	Cu *(%)*	Mo *(%)*
Resources				
In licence	Indicated	0.073	0.71	0
	Inferred	0.003	0.64	0.004
CuEq>0.3%	**Total**	**0.076**	**0.70**	**0**
Out of licence	Indicated	0.224	0.50	0.001
	Inferred	0.253	1.19	0.014
CuEq>0.3%	**Total**	**0.477**	**0.87**	**0.008**
Total	Indicated	0.297	0.55	0.001
In and out of licence	Inferred	0.256	1.18	0.014
	Total	**0.553**	**0.85**	**0.007**
Reserves				
	Probable	0.016	0.73	0
	Probable total	**0.016**	**0.73**	**0**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 December 2013. Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

Management Discussion and Analysis

As at 31 December 2013, according to PRC standard, copper mineral resources and copper ore reserves of the Chimashan Project amounted to 5,500 tonnes and approximately 380,000 tonnes, respectively. Further details are set out below:

Resources and reserves summary (PRC standard)

Mines types	Accumulated			Retained		
	Ore quantity *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*	**Ore quantity** *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	569	68,543	1.2	38	5,487	1.44

Note:

(1) The PRC resources reserve report was prepared by Daye Non-ferrous Design and Research Institute Company Limited (大冶有色設計研究院有限公司) and was verified by the Department of Land and Resources of Hubei Province as a valid report.

Sareke Project Summary

As at 31 December 2013, according to JORC standard, copper mineral resources and copper ore reserves of the Sareke Project amounted to 215,570 tonnes and approximately 20.49 million tonnes, respectively. Further details are set out below:

Mineral Resources summary (JORC Code)

	JORC Classification	Resources tonnage *(million tonnes)*	Copper grade *(%)*	Copper metal *(tonnes)*
Resources	Indicated	18.59	1.08	200,030
	Inferred	1.90	0.82	15,540
	Total	**20.49**	**1.05**	**215,570**

Minerals reserves summary (JORC Code)

	Elevation (m)	Probable		Metal Quantity *(tonne)*
		Tonnage (1,000 tonnes)	*Copper (%)*	
Reserves	>=2,900	490	0.95	4,690
	2,790~2,900	748	0.81	6,040
	2,730~2,790	1,020	1.11	11,290
	2,670~2,730	5,346	1.39	74,230
	<=2,670	2,561	0.71	18,120
	Total	**10,165**	**1.13**	**114,370**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 December 2013. Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

Management Discussion and Analysis

As at 31 December 2013, according to PRC standard, copper mineral resources and copper ore reserves of the Sareke Project amounted to 537,585 tonnes and approximately 63.75 million tonnes, respectively. Further details are set out below:

Resources summary (PRC standard)

Mines types	Retained		
	Ore quantity *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	6,375	537,585	0.84
Associated silver	–	668	10.48

Note:

(1) The PRC resources reserve report was prepared by Daye Non-ferrous Design and Research Institute Company Limited (大冶有色設計研究院有限公司) and was verified by the Department of Land and Resources of Hubei Province as a valid report.

Hami Project Summary

As at 31 December 2013, according to JORC standard, copper mineral resources and copper ore reserves of the Hami Project amounted to 207,400 tonnes and approximately 29.92 million tonnes, respectively. Further details are set out below:

Mineral resources summary (JORC Code)

Location	Tonnage *(million tonnes)*	Grade *(% copper)*	Copper content *(million pounds)*	Copper content *(tonnes)*
Indicated Resources				
Main Lens	21.47	0.71	335	152,000
Other Lenses	–	–	–	–
Total	**21.47**	**0.71**	**335**	**152,000**
Inferred Resources				
Main Lens	7.12	0.68	106	48,100
Other Lenses	1.33	0.55	16	7,300
Total	**8.45**	**0.66**	**122**	**55,400**

Note:

(1) The mineral resource and ore reserve estimates prepared in accordance with JORC Code are based on information up to 31 July 2011, as disclosed in the Company's circular dated 29 December 2011 in relation to the reverse takeover transaction. Please refer to the same for details of the assumptions and parameters used to calculate these resource and reserve numbers and qualities of metals.

(2) There was no material change in these estimates during the period from 31 July 2011 to 31 December 2013.

Management Discussion and Analysis

As at 31 December 2013, according to PRC standard, copper mineral resources and copper ore reserves of the Hami Project amounted to 364,459 tonnes and approximately 62.8103 million tonnes, respectively. Further details are set out below:

Information Summary (PRC standard)

Mines types	Retained		
	Ore quantity *(10,000 tonnes)*	**Metal quantity** *(tonne)*	**Grade** *(%)*
Copper	3,994	281,510	0.7
Low grade copper	2,287	82,949	0.36
Associated silver	–	76	1.91

(i) There was no material change in these estimates during the period from 31 July 2011 to 31 December 2013.

Notes for the tables on pages 9 to 16:

(1) In the above tables, Cu, Fe, TFe, Mo, CuEq, Au and Ag mean copper, iron, total iron, molybdenum, copper equivalent, gold and silver, respectively, and t, Kt, Mt, kg, g/t, Oz, and k Oz mean tonne, thousand tonne, million tonne, kilogram, gram per tonne, troy ounce and thousand troy ounce, respectively. The terms "Indicated", "Inferred" and "Probable" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves described as "out of licence" refers to the discovery of mineral resources or ore reserves outside of the permitted level of mining depth prescribed in the mining licence of the relevant mine. However, no mining or exploration in respect of such mineral resources has been conducted by the Group. Mineral resources and ore reserves described as "in licence" or "in mining licence" refer to the discovery of mineral resources or ore reserves within the permitted level of mining depth prescribed in the mining licence of the relevant mine.

(3) Mineral resources were defined within a mineralized envelop above 0.2% copper equivalent, and reported at a cut-off grade of 0.3% copper equivalent for underground operations and 0.2% copper equivalent for open pit operations.

(4) Ore reserves are estimated using minimum cut-off grades of 0.68%, 0.40%, 0.36%, 0.45%, and 0.60% copper equivalent for the Tonglvshan Mine, the Fengshan Mine, the open pit mining at the Tongshankou Mine, the underground mining at the Tongshankou Mine and the Chimashan Mine, respectively.

(5) Copper equivalent was calculated for the mines using forecast processing plant recoveries and long-term forecast prices according to the following tables:

	Tonglvshan	Fengshan	Tongshankou	Chimashan
Copper *(RMB/t)*	28,039.00	28,039.00	28,039.00	48,935.00
Iron *(RMB/t)*	995.0			
Gold *(RMB/g)*	158.02	158.02	158.02	235.00
Silver *(RMB/g)*	2.73	2.73	2.73	6.00
Molybdenum *(RMB/kg)*		153.00	153.00	207.00

(6) Copper and iron mineral resources at the Tonglvshan Mine are inclusive of the gold and silver mineral resources at the Tonglvshan Mine and gold and silver mineral resources at the Tonglvshan Mine are inclusive of the copper and iron mineral resources at the Tonglvshan Mine. Such mineral resources should not be added together.

(7) A minimum mining width of 2 metres was used for estimating the underground ore reserves at Tonglvshan Mine, Fengshan Mine, Tongshankou Mine and Chimashan Mine.

(8) The mineral resources set out in the mineral resources tables above are inclusive of, and not in addition to, the mineral resources modified to produce the ore reserves set out in the ore reserves tables above.

Management Discussion and Analysis

Exploration, Development and Mining Production Activities

Description of activities

The following table sets out the various exploration, development and mining activities conducted at each of our mines during the year ended 31 December 2013:

	Activity		
Mine	**Exploration**	**Development**	**Mining**
Tonglvshan Mine	1. Drilling depth of integrated exploration (in-depth prospecting) reached 726.12 m/hole; 2. Drilling depth of strategic in-depth exploration of the northwestern sector of Yangxin rock mass in Tonglvshan Mine reached 1,004.12 m/hole. 3. Drilling depth of capacity upgrade reached 5,913.2 m/28 holes, with 20 underground cavities of 1,771.67m^3 and connection channels of 268.93m/1,928.68 m^3 .	1. Mining work of No. XI ore body: total drilling volume reached 4,250m/60,000m^3. Construction of the main structures of the mixed well tower and filling station has been completed. Total drilling volume reached 60,500m^3. 2. The development at the -485m middle portion: drilling volume reached 20,000m^3. Actual drilling volume reached 21,000 m^3. 3. Capacity upgrade and expansion of Tonglvshan Mine: Major construction was commenced in May 2013. Installation of equipment in the main factory commenced upon its top-out by the end of 2013. The construction completed and will put into operation in June 2014. Purchase orders for all equipment have been placed and the construction of the major structure of the main factory has been completed.	• Copper: 10,322 tonnes • Gold: 533 kg • Silver: 4,134 kg • Iron: 260,100 tonnes

Management Discussion and Analysis

<table>
<tr><th rowspan="2">Mine</th><th colspan="3">Activity</th></tr>
<tr><th>Exploration</th><th>Development</th><th>Mining</th></tr>
<tr><td>Fengshan Mine</td>
<td>1. Drilling depth of in-depth re-exploration reached 3,366.14 m/5 holes;

2. Exploration depth of -50-meter and -100-meter small ore bodies in the east sector reached 822 m/6,612.3m³; Drilling depth of horizontal drilling ore reached 1,632 m/27 holes.</td>
<td>1. The development at the -320m — -440m middle portion: the drilling of 200m/3,352m³ of the -320m — -440m middle portion of the slope and the drilling volume of 100m of northern well were completed in 2013. The drilling volume of the slope reached 238.2m/3,436.6m³ and the northern well has been completed with access to public utilities and land levelling.

2. The development at the northern edge of the -320m middle portion: total drilling of 1,400m/10,187m³ for +12 lines including the mountain range of the eastern basin, mountain range, filling well, draw shaft and distillation well, the installation of the auxiliary equipments relating to ventilation, water supply and electricity supply were completed in 2013. Actual drilling volume reached 1,800 m/12,500m³.</td>
<td>• Copper: 5,555 tonnes
• Gold: 164 kg
• Silver: 5,241 kg
• Molybdenum: 95 tonnes</td></tr>
</table>

Management Discussion and Analysis

Mine	Activity: Exploration	Activity: Development	Activity: Mining
Tongshankou Mine	1. Drilling depth of alternative resources exploration reached 2,475.34 meters/3 holes; 2. Drilling depth of underground re-exploration reached 3,757.24 meters/39 holes.	1. In-depth mining work in Tongshankou Mine: drilling volume was reached 77,100 m^3 in 2013. Actual drilling volume reached 7,751m/99,975 m^3 and the investment was completed. 2. Replacement work of the tailing storage facility in Tongshankou Mine: the land acquisition for the storage area, the construction of the new dam and the drainage system were completed during 2013. The culvert was actually excavated and reinforced by 960 meters and certain land acquisitions were completed. 3. Capacity expansion and upgrade of Tongshankou mine: new mine warehouse and factory were built in 2013. The project progress will be delayed as only the review of feasibility report has been completed.	• Copper: 5,508 tonnes • Silver: 1,601 kg • Molybdenum: 32 tonnes

Management Discussion and Analysis

Mine	Activity: Exploration	Activity: Development	Activity: Mining
Chimashan Mine	1. Drilling volume of in-depth investigation reached 904.6 meters/4 holes; 2. 143.62 meters/853.1 m^3 was completed for the connection of drilling machines, with 3 exploration rooms of 440 m^3.	In-depth exploration of Chimashan Mine: the exploration of -400m pumping room, water sump and -400m middle portion was completed in 2013. Actual drilling volume reached 4,288.3 m^3.	• Copper: 510 tonnes • Gold: 16 kg • Silver: 573 kg
Sareke Copper Mine	1. Drilling volume of investigation of the southern mine reached 4,027.53 meters/11 holes; 2. Drilling volume of detailed investigation of the northern mine reached 2,105.95 meters/7 holes; 3. Drilling depth of horizontal drilling ore in the pit reached 2,077.85 meters/26 holes.	Xinjiang Hui Xiang Yong Jin mining project of southern Sareke Copper Mine: 90% of the construction of slope was completed, and the planning of infrastructure construction such as development of the middle portion under the well was completed. The surface works of the processing plant and tailing dam was basically completed. The progress is on schedule.	Nil (Not yet commenced commercial production)
Hami Mine	No material development in 2013.		

Management Discussion and Analysis

Hami Mine

On 31 May 2012, the Company entered into a mining exploration agreement with Alexis Resources Limited (the "Vendor") in respect of the exploration of a copper mine (the "Hami Mine") located at about 115 km southwest of Hami, a city in the eastern part of the Xinjiang Uygur Autonomous Region, the PRC. The center of the Hami Mine is situated in an area located at about longitude 92°28′ degrees east, latitude 42°05′ degrees north (the "New Mining Area").

On 3 August 2012, the Company was informed that the mining license of the Hami Mine has been granted to Xinjiang Tong Xing Mining Company Limited by the Department of Land and Resources of Xinjiang Uygur Autonomous Region for a period of two years from 4 May 2012.

On 29 June 2012, pursuant to the amendment agreement, the terms and conditions of the convertible notes issued by the Company to the Vendor on 22 July 2010 (the "Convertible Notes") were amended as follows:

(a) the original maturity date (ie. 22 July 2012) was extended to the new maturity date (i.e. 31 December 2013), on which the Convertible Notes shall be redeemed by the Company at its principal amount together with interest outstanding; and

(b) interest on the Convertible Notes shall be accrued on and from the date of issue of the Convertible Notes up to and including the original maturity date only. No interest shall be accrued on the Convertible Notes for the period from the original maturity date to the new maturity date.

Therefore, the Company announced on 31 December 2013 that, on the same date (being the new maturity date), the Convertible Notes had reached maturity and would be redeemed by the Company at their principal amount together with any outstanding interest. Since the Vendor had not exercised any of the conversion rights attached to the Conversion Notes on or before the new maturity date, the redemption amount was RMB174,882,000, being the sum of the principal amount of HK$220,000,000.00 and outstanding interest of RMB3,433,000. Such redemption amount has since been settled accordingly.

Sareke Copper Mine

In 2013, the major constructions of Sareke Copper Mine, including mine construction, were completed on schedule. Significant progress of the project was made. The Company obtained the approval on the Environmental Impact Assessment Report on the Mining and Processing Project of Sareke Copper Mine with a production capacity of 500,000 tonnes/year (3,500 tonnes/day), the permission on the commencement of the Mining and Processing Project of Sareke Copper Mine with a production capacity of 500,000 tonnes/year (3,500 tonnes/day) and various certificates and approvals for the ancillary projects. The aforementioned approvals on the project environmental impact assessment and the mining and processing projects were necessary for the design and financing of the projects, application of other relevant licences and commencement of project construction. The uncertainties of exploration, design, and construction were also eliminated. The equipment installation and calibration of Sareke Copper Mine will be completed in the first quarter of 2014. Trial production will commence in the second quarter of 2014 while adjustment, modification and optimisation of the production system will be made in the third quarter of 2014. Full production will commence in the fourth quarter of 2014. The target annual production and operation results are approximately 2,800 tonnes of copper ore, 2,298 kg of copper concentrate (containing silver), 360,000 tonnes of extracted ore and 682,300 tonnes of total extraction.

Management Discussion and Analysis

Expenditures incurred

During 2013, we incurred approximately RMB1,651,685,000 (2012: RMB1,433,545,000) on exploration, development and mining production activities, details of which are set out below:

Mines	Operating expenses *RMB'000*	Capital expenditure *RMB'000*	2013 Total *RMB'000*	2012 Total *RMB'000*
Tonglvshan Mine	457,132	193,143	**650,275**	579,881
Fengshan Mine	207,633	49,762	**257,395**	244,093
Tongshankou Mine	236,892	269,430	**506,322**	396,264
Chimashan Mine	38,332	6,420	**44,752**	48,427
Sareke Mine	–	192,942	**192,942**	164,880
Hami Mine	–	12,070	**12,070**	–
	939,989	723,767	**1,663,756**	1,433,545

Exploration, Development and Mining Expenditures

Unit: RMB'000

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine	Hami Mine
Exploration activities						
Drilling and analysis	1,231.89	8,276.60	5,040.28	4,870.98	45,255.30	12,070.30
Others	N/A	N/A	N/A	N/A	N/A	N/A
Sub-total	1,231.89	8,276.60	5,040.28	4,870.98	45,255.30	12,070.30
Development activities (including mine construction)						
Purchases of assets and equipment	19,655.00	11,120.44	23,800.80	846.50	37,453.45	N/A
Civil work for construction of tunnels and roads	162,371.93	28,873.99	229,019.49	696.10	102,109.86	N/A
Staff cost	N/A	N/A	N/A	N/A	2,277.87	N/A
Others	9,883.76	1,491.36	11,569.06	6.75	5,845.09	N/A
Sub-total	191,910.69	41,485.79	264,389.35	1,549.35	147,686.27	N/A
Mining activities (including ore processing)						
Staff cost	173,590.90	90,195.80	71,592.80	16,233.50	N/A	N/A
Consumables	33,289.00	15,458.00	32,611.70	4,078.30	N/A	N/A
Fuel, electricity, water and other services	40,707.90	18,936.90	28,073.80	1,989.50	N/A	N/A
Non-income taxes, royalties and other governmental charges	27,254.10	10,284.10	14,374.60	1,502.10	N/A	N/A
Others	84,549.50	45,647.00	47,362.30	8,129.20	N/A	N/A
Sub-contracting charges	19,117.30	10,100.00	8,805.40	3,245.00	N/A	N/A
Depreciation	78,625.20	17,011.50	34,071.40	3,154.80	N/A	N/A
Sub-total	457,131.90	207,633.30	236,892.00	38,332.40	N/A	N/A
Total	650,274.48	257,395.69	506,321.63	44,752.73	192,941.57	12,070.3

Management Discussion and Analysis

Infrastructure projects, subcontracting arrangements and purchases of equipment

During 2013, the new contracts entered into and commitments undertaken by the Group were as follows:

	Infrastructure projects *RMB*	Subcontracting arrangements *RMB*	Purchase of equipment *RMB*	Total *RMB*
Tonglvshan	–	–	47,721,279	47,721,279
Fengshan	–	–	8,753,079	8,753,079
Tongshankou	106,696,998	–	14,052,598	120,749,596
Chimashan	–	–	1,356,600	1,356,600
	106,696,998	–	71,883,556	178,580,554

Operating objectives and strategies in 2014

We are exposed to various uncertainties, including austerity policies, stagnant economic growth and pressure of soaring costs in China, which may significantly hamper the production and operation of the Group.

The main production targets of the Group for 2014 include producing 28,000 tonnes of mined copper, 500,000 tonnes of copper cathode, 16 tonnes of gold, 700 tonnes of silver, 1,040,000 tonnes of sulphuric acid, 295,000 tonnes of iron concentrate, 133 tonnes of molybdenum concentrate (containing molybdenum), 25 kg of platinum, 310 kg of palladium, 460 kg of ammonium perrhenate (containing metal), 460 tonnes of nickel sulfate (containing metal), 185 tonnes of crude selenium, 26 tonnes of tellurium and 250,000 tonnes of copper rods.

In order to achieve the above production targets, we will strive for improvements in the following aspects, which will be funded through the working capital, bank borrowings and other sources of financing of the Group.

(1) To improve production process and enhance production efficiency

The Company will focus on turning its resource advantages into economic advantages so as to increase mined copper output. In addition, capitalising on the completion of construction and the commencement of production of major mine projects, the Company will strive to expand its mine production scale and improve its product yield and quality with a production target of not less than 28,000 tonnes of mined copper.

The Company will also focus on turning its technology advantages into economic advantages so as to improve the efficiency of metallurgy and precious metal segments. Leveraging the refined smelting system and higher smelting efficiency, its smelting plants will maintain the stable smelting system and efficient production process to fulfil its annual product targets.

Management Discussion and Analysis

(2) To optimise marketing and trading operation and improve efficiency level

The Company will secure its raw material supply and optimise its marketing mode for better marketing capability.

1. The Company will improve its raw material procurement by refining its supply structure, strengthening its direct cooperation with overseas mining projects and stabilising its supply channel of imported minerals. Prioritisation will be placed on market expansion of crude copper and anode plate sectors through identifying appropriate strategic partners to ensure its sustained and stable supply.

2. The Company will put efforts in its product sales and place emphasis on the synergistic marketing of copper cathode and the operation management of precious metals in 2014. Furthermore, it will keep abreast of the changes in market trend of copper cathode in Guangdong and Shanghai and raise the selling price of spot commodities.

3. The Company will improve its futures operation by strictly adhering to the management system of responsibility division and collective decision-making. It will also comply with the relevant requirements and strategic plans of its value flow management. Efforts will be made on analysis and forecast on price trend and communication with prominent research institutions. Through market information collection, collation and analysis for its databases, it will be able to accurately capitalise on market trends and dynamics.

4. The Company will optimise the processing operations of imported minerals, promote the sales of by-products and increase sales through tender in line with the market conditions.

5. The Company will strengthen its trade profitability through expanding product diversity. Trading of other commodities such as other non-ferrous metal products, chemical products and feedstock oil will be carried out. Innovative trading models will be introduced, including domestic and foreign export agency services, entrepot trade and overseas trade of precious metals. Integration of trading and finance will be strengthened and relevant businesses in relation to domestic and foreign trade financing, wealth management and interest rate linked products will be extensively launched.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013.

Equity

The Company's issued and fully paid share capital as at 31 December 2013 amounted to approximately RMB705,506,000 divided into 17,327,911,186 ordinary shares of HK$0.05 each.

Management Discussion and Analysis

Financial Management and Treasury Policy

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We mainly place cash and cash equivalents (which are mostly held in RMB) in short term deposits with authorized institutions in Hong Kong and the PRC.

During the year, the Group's receipts were mainly denominated in Hong Kong dollars and RMB while payments were mainly made in RMB.

As the Group's production plants are located in the PRC, most of our labour costs, manufacturing overhead, selling and administrative expenses are denominated in RMB. Therefore, the appreciation of RMB will adversely affect the Group. The Group will continue to closely monitor the foreign exchange risk arising from RMB and may consider hedging significant exposure of such risk in the future.

Liquidity and Financial Resources

As at 31 December 2013, the Group's current ratio was approximately 1.01 (2012: 1.02), based on current assets of approximately RMB8,899,313,000 (2012: RMB7,559,770,000) divided by current liabilities of approximately RMB8,845,645,000 (2012: RMB7,379,410,000). The Group's gearing ratio as at 31 December 2013 was approximately 247.7% (2012: 131.2%), based on net debts of approximately RMB8,838,872,000 (2012: RMB7,205,212,000) divided by total equity of approximately RMB3,568,288,000 (2012: RMB5,492,448,000). The increase in gearing ratio was attributable to the Group's increase in borrowings and convertible notes for the year ended 31 December 2013.

As at 31 December 2013, the Group had a net cash position and had sufficient funding to pay off all the outstanding liabilities and meet its working capital requirement.

During the year ended 31 December 2013, the Group incurred capital expenditure of approximately RMB70,783,000 (2012: RMB9,331,000) for exploration activities.

Borrowings and Pledge of Assets

As at 31 December 2013, the Group's total debts (which comprise non-current and current bank and other borrowings, cumulative redeemable preference shares, and convertible notes) amounted to approximately RMB10,451,755,000 (2012: RMB8,639,759,000). The increase in debts was due to the increase in financing needs as a result of the expansion of the Group's operations.

As at 31 December 2013, certain bank borrowings of the Group were secured by bank deposits of RMB170,716,000 (2012: RMB37,713,000).

59.3% and 53.1% of our bank and other borrowings were made at floating interest rates and in RMB, respectively.

Management Discussion and Analysis

Foreign Exchange Risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from international market that are conducted in United States dollars (US$) and certain borrowings that are denominated in US$.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entities' functional currency. The Group is exposed to foreign exchange risk primarily with respect to US$.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts had been entered by the Group.

Material Acquisitions and Disposal of Subsidiaries

Disposal of Equity Interests in Subsidiaries

On 27 December 2013, the Group entered into four separate disposal agreements with Right Elite Global limited ("Right Elite"), pursuant to which the Group sold to Right Elite 5% equity interest in each of Jetlight Investment Limited, Shinemax Group Limited, Keytrade Investments Limited and 深圳潤寶有色金屬有限公司 (each, prior to such disposal, being wholly-owned subsidiaries of the Company) for a consideration of HK$784,000, HK$807,000, HK$407,000 and HK$594,500 respectively.

Further, for each of the four disposal agreements, the respective parties entered into a shareholders' agreement on the same date to govern their relationship as shareholders of the relevant target company.

Since completion of the above disposals, each of the above target companies has continued to be a subsidiary of the Company under the Listing Rules. However, pursuant to applicable accounting principles, by virtue of the arrangements under the relevant shareholder's agreement, the consolidated financial statements of each of the target companies has ceased to be consolidated into those of the Company and instead have been accounted for as a jointly controlled entity of the Company.

For further details, please see the announcement of the Company dated 27 December 2013.

Other than the above disposals, the Group had not made any material acquisition or disposal of subsidiaries during the year ended 31 December 2013.

Contingent Liabilities

As at 31 December 2013, the Group had no contingent liabilities.

Charges on Assets

As at 31 December 2013, bank deposits of RMB171,993,000 (2012: RMB162,266,000) are pledged to banks as security for certain banking facilities of the Group. Bank balances of RMB7,420,000 (2012: RMB241,572,000) are held in designated bank accounts as security for the Group's letter of credits. In addition, other deposits of RMB294,552,000 (2012: RMB41,054,000) are held in certain financial institutions as security for the commodities derivative and currency forward contracts.

Report of the Directors

The directors of the Company (the "Director(s)") have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Five-Year Financial Summary

Summary of consolidated statement of comprehensive income

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(restated)	(restated)	(restated)
				(Note)	*(Note)*
Revenue	**43,598,452**	28,878,123	27,144,759	26,019,630	18,485,290
Profit/(loss) for the year attributable to owners of the Company	**(1,949,229)**	157,176	149,275	127,881	60,733
Non-controlling interests	**(18,496)**	6,476	31,836	81,114	38,309
Profit/(loss) for the year	**(1,967,725)**	163,652	181,111	208,995	99,042

Summary of consolidated statement of financial position

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(restated)	(restated)	(restated)
				(Note)	*(Note)*
Assets					
Current assets	**8,899,313**	7,559,770	5,882,615	6,820,653	5,922,516
Non-current assets	**8,895,871**	9,795,973	5,840,049	4,656,570	3,314,708
Total assets	**17,795,184**	17,355,743	11,722,664	11,477,223	9,237,224
Liabilities					
Current liabilities	**8,845,645**	7,379,410	5,864,248	6,734,702	5,346,723
Non-current liabilities	**4,976,939**	4,050,845	2,076,233	1,141,793	698,645
Total liabilities	**13,822,584**	11,430,255	7,940,481	7,876,495	6,045,368
Net assets	**3,972,600**	5,925,488	3,782,183	3,600,728	3,191,856
Equity attributable to:					
Owners of the Company	**3,568,288**	5,492,448	3,606,072	2,224,680	1,911,186
Non-controlling interests	**404,312**	433,040	176,111	1,376,048	1,280,670
	3,972,600	5,925,488	3,782,183	3,600,728	3,191,856

Note: Based on the Company's circular dated 29 December 2011.

Report of the Directors

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are set out in note 1 to the consolidated financial statements.

The Group's revenue and segment information for the year ended 31 December 2013 is set out in note 6 to 7 to the consolidated financial statements, respectively.

Results and Dividends

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 63 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil). No interim dividend was declared during the year (2012: Nil).

Details of the preference dividend payable during the year are set out in note 14 to the consolidated financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2013 are set out in note 16 to the consolidated financial statements.

Issue of Convertible Bonds

On 30 May 2013, the Company issued convertible bonds in an aggregate principal amount of RMB820,000,000 (the "Bonds") to professional investors. The Bonds are listed on the Stock Exchange and are convertible into Shares at any time from 10 July 2013 up to the close of business on the tenth day prior to 30 May 2018. The Bonds have an initial conversion price of HK$0.30 per Share (subject to adjustment) bearing interest of 0.50% per annum on its principal amount.

The Board considered the issue of the Bonds to be part of the Company's effort in attracting independent and significant shareholders who share its business vision and can add considerable value by bringing international best practices in business strategy and corporate governance. The issue of the Bonds also represented an opportunity to enlarge and diversify the shareholder base of the Company, to improve the liquidity position of the Group, to reduce the financing costs of the Group and to raise further capital for the Company in an aggregate sum of approximately RMB796,000,000.

The net proceeds from the issue of the Bonds, after deduction of commissions and expenses (including but not limited to legal fees and fees to be charged by the lead managers), was approximately RMB796,000,000, which has been used for working capital and general corporate purposes and to facilitate the overall development and expansion of the Group.

During the year ended 31 December 2013, there had been no conversion of the Bonds into Shares by the bondholders and no redemption of the Bonds by the Company. Please refer to note 34 to the consolidated financial statements for further details.

Report of the Directors

Share Capital and Convertible Notes

Details of movements in the Company's share capital and convertible notes during the year ended 31 December 2013 are set out in notes 37 and 34, respectively, to the consolidated financial statements.

Save for the share options as set out below and as set out in note 38 and the convertible notes as set out in note 34 to the consolidated financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2013.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws or the company laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

Reserves

Details of movements in the reserves of the Group during the year ended 31 December 2013 are set out in the consolidated statement of changes in equity.

Distributable Reserves

As at 31 December 2013, the Company has retained profits of RMB2,789,211,000 available for distribution to the Shareholders.

Purchase, Sale or Redemption of Listed Securities

During the year under review, the Company had not redeemed any of its listed securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities.

Directors

The Directors during the year ended 31 December 2013 and up to the date of this report were:

Executive Directors

Zhang Lin *(Chairman)*
Long Zhong Sheng
Zhai Baojin
Tan Yaoyu

Independent Non-executive Directors

Wang Qihong
Wang Guoqi
Qiu Guanzhou

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, a retiring Director shall be eligible for re-election. Accordingly, each of Zhang Lin, Zhai Baojin and Tan Yaoyu shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

Directors' Service Contracts

Each of the Directors has entered into a service contract with the Company which is determinable by the Company by not less than three months' notice.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting of the Company has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and Chief Executive's Interests and Short Positions in Securities

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	**Capacity**	**Nature of interest**	**Number of shares**	**Approximate percentage of shareholding** *(Note 1)*
Wang Qihong	Beneficial Owner	Personal Interest	2,400,000 shares	0.00013%
Wang Guoqi	Beneficial Owner	Personal Interest	600,000 shares	0.000035%

Note 1: The percentage of shareholding is calculated based on 17,327,911,186 issued shares of the Company.

Save as disclosed above as at 31 December 2013, none of the Directors, chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year, the Directors and chief executive of the Company (including their spouses and children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders' Interest and Short Positions in Securities

As at 31 December 2013, so far as is known to the Directors, the following persons, other than the Directors and chief executive of the Company, had interests in the shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Report of the Directors

Long positions in shares/underlying shares of the Company

Name of Shareholder	Capacity	Number of shares	Approximate percentage of total relevant class of shares in issue as at 31 December 2013
China Times Development Limited	Beneficial owner	13,970,671,176 shares	80.63% *(Note 3)*
Daye Nonferrous Metals Corporation Holdings Limited	Interest in a controlled corporation	13,970,671,176 shares *(Note 1)*	80.63% *(Note 3)*
China Cinda (HK) Asset Management Co., Limited	Beneficial owner	936,953,542 shares	5.41% *(Note 3)*
China Cinda Asset Management Co., Limited	Interest in a controlled corporation	936,953,542 shares *(Note 2)*	5.41% *(Note 3)*
China Times Development Limited	Beneficial owner	4,985 CPS	30.24% *(Note 4)*
Daye Nonferrous Metals Corporation Holdings Limited	Interest in a controlled corporation	4,985 CPS *(Note 1)*	30.24% *(Note 4)*

Notes:

1. These shares were held by China Times Development Limited, the entire issued capital of which were beneficially owned by Daye Nonferrous Metals Corporation Holdings Limited.

2. These shares were held by China Cinda (HK) Asset Management Co., Limited, the entire issued capital of which were beneficially owned by China Cinda Asset Management Co., Limited.

3. This percentage is calculated based on 17,327,911,186 shares of the Company in issue.

4. This percentage is calculated based on 16,485 convertible cumulative redeemable preference shares ("CPS") in issue.

Save as disclosed above, as at 31 December 2013, the Directors are not aware of any other persons, other than the Directors and chief executive of the Company who had interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

Directors' Interests in Contracts of Significance

Save as disclosed elsewhere in this report, no contracts of significance in relation to the Group's business to which the Group, its holding company or any of its subsidiaries was a party or in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2013.

Report of the Directors

Directors' Interests in Competing Business

None of the Directors was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business during the year ended 31 December 2013.

Biographical Details of Directors

Brief biographical details of the Directors are set out on pages 3 to 4 of this report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2013.

Major Customers and Suppliers

During the year ended 31 December 2013, the Group's major income was generated from trading of non-ferrous metals.

The sales generated from the Group's major customers as a percentage to the Group's revenue was as follows:

— The largest customer	11.9%
— Five largest customers	31.2%

The purchases from the Group's major suppliers as a percentage to the Group's cost of inventories recognised as an expense for the year was as follows:

— The largest supplier	4.3%
— Five largest suppliers	16.8%

The Group purchased less than 30% of its inventories from its five largest suppliers for the year ended 31 December 2013.

At no time during the year ended 31 December 2013 did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Directors own more than 5% of the issued capital of the Company) had any beneficial interest in the Group's major customers and suppliers.

Report of the Directors

Connected Transactions

The Company entered into various agreements with Daye Nonferrous Metals Corporation Holdings Limited (the "Parent Company") and certain of the Company's connected persons. Details of their relationship with the Company are set out below:

Entity	**Relationship with the Company**
Parent Company	The Parent Company is the controlling shareholder of the Company and is therefore a connected person of the Company.
China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC")	CNMC is a controlling shareholder of the Company and is therefore a connected person of the Company.
Daye Non-ferrous Metals Tonglushan Mining Labour Services Company ("Daye Labour")	Daye Labour is a substantial shareholder of Daye Nonferrous Metals Co., Ltd., a subsidiary of the Company. Therefore, Daye Labour is a connected person of the Company.
Daye Non-ferrous Transportation and Tyre Company Limited ("Daye Transportation")	Daye Transportation is owned as to more than 30% by the Parent Company (through its subsidiary) and is therefore its associate and a connected person of the Company.
Hubei Jilong Mountain Gold Mining Co. Ltd ("Hubei Gold")	Hubei Gold is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.
Huangshi Tonghua Hotel Company Limited ("Tonghua Hotel")	Tonghua Hotel is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.

Report of the Directors

Therefore, these agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of such agreements are set out below:

Continuing connected transactions that were in effect in 2013

A. The Sales Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Parent Company
Term	Until 31 December 2013
Products and materials to be supplied	Copper cathodes, scrap copper, silver, silver extracts, water (to be procured by members of the Group from independent third parties for onward supply to subsidiaries of the Parent Company), electricity (to be procured by members of the Group from independent third parties for onward supply to subsidiaries of the Parent Company, or spare electricity generated from the Group's production process), raw materials, auxiliary equipment, supporting materials, components, production equipment and tools.
Price	Depending on the products or materials to be supplied by the Group, the price at which each transaction to be conducted under the Sales Framework Agreement will be determined on the following basis: (i) according to the government prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB2,532,300,000. For the year ended 31 December 2013: RMB2,744,010,000.

B. Services Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Parent Company
Term	Until 31 December 2013
Services to be provided	Design services, surveying services, labour services for construction projects, provision of environment monitoring services, provision of examination of equipment and machineries services.
Price	The price at which each transaction to be conducted under the Services Framework Agreement will be determined with reference to the market price of such services.
Annual Caps	For the year ended 31 December 2012: RMB9,640,000. For the year ended 31 December 2013: RMB10,610,000.

Report of the Directors

C. Purchase and Production Services Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Parent Company
Term	Until 31 December 2013
Products and materials to be purchased	Copper concentrates, copper cathodes, coarse, scrap copper, mechanically processed products, natural gas, steam, fume, raw materials, auxiliary equipment, supporting materials, components, production equipment and tools.
Production services to be received	Processing of coarse copper to anode plates, transportation services, construction of production site and installation of related facilities, and sinking and drifting engineering and other related production services.
Price	Depending on the products or materials to be supplied to the Group and the production services to be provided to the Group, the price at which each transaction to be conducted under the Purchase and Production Services Framework Agreement will be determined on the following basis: (i) according to the government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price; or (iii) if no such market price is available, the cost incurred by the relevant party in providing the products or materials or services plus a charge not exceeding 15% of such cost.
Annual Caps	For the year ended 31 December 2012: RMB4,797,980,000. For the year ended 31 December 2013: RMB5,336,080,000.

D. Hubei Gold Purchase Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Hubei Gold
Term	Until 31 December 2013
Products to be purchased	Copper concentrates
Price	The price at which each transaction to be conducted under the Hubei Gold Purchase Framework agreement will be determined with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB96,810,000. For the year ended 31 December 2013: RMB106,500,000.

Report of the Directors

E. Daye Transportation Purchase Framework Agreement

Date	23 December 2011
Parties	1. Company
	2. Daye Transportation
Term	Until 31 December 2013
Products and material to be purchased	Tyres, automobile parts and components, petrol and diesel oil
Price	Depending on the products or materials to be supplied to the Group, the price at which each transaction to be conducted under the Daye Transportation Purchase Framework Agreement will be determined with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB3,950,000.
	For the year ended 31 December 2013: RMB4,350,000.

F. Combined Ancillary Services Framework Agreement

Date	23 December 2011
Parties	1. Company
	2. Parent Company
Term	Until 31 December 2013
Ancillary Services to be received	Medical services, employee training services, property management services, building maintenance services, telecommunication and related maintenance services, utility services (including water and electricity) and other related ancillary services.
Price	Depending on the ancillary services to be provided by the Parent Company and its subsidiaries, the price at which each transaction to be conducted under the Combined Ancillary Services Framework Agreement will be determined on the following basis: (i) according to the government-prescribed price; or (ii) if there is no applicable government-prescribed price, with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB501,720,000.
	For the year ended 31 December 2013: RMB660,780,000.

Report of the Directors

G. Tonghua Hotel Services Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Tonghua Hotel
Term	Until 31 December 2013
Services to be received	Hotel services, catering services and business conference services
Price	The price at which each transaction to be conducted under the Tonghua Hotel Services Framework Agreement will be determined with reference to the market price.
Annual Caps	For the year ended 31 December 2012: RMB4,110,000. For the year ended 31 December 2013: RMB4,530,000.

H. Land Lease Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Parent Company
Term	Until 31 December 2039
Price	The rent at which each transaction to be conducted under the Land Lease Framework Agreement will be the annual depreciation amount of the relevant parcel of land, which will be calculated as the total amount paid by the owner of the land to the relevant government authorities for acquiring the relevant land use right, divided by the estimated useful life of such land. The lease will also bear all the taxes and duties payable for lease, which will be calculated by reference to the rent payable. Both the rent and the aggregate taxes and duties payable by the lessee for each parcel of land will be the same for each year during the term of the lease.
Annual Caps	For the year ended 31 December 2012: RMB23,890,000. For the year ended 31 December 2013: RMB23,890,000.

Report of the Directors

I. Daye Labour Purchase and Production Services Framework Agreement

Date	23 December 2011
Parties	1.The Company 2.Daye Labour
Term	Until 31 December 2013
Products and materials to be purchased	Iron balls, auxiliary equipment, supporting materials, components, production equipment and tools and labour protection products.
Production services to be received	Provision of cleaning services and provision of recycling services of ore.
Price	Depending on the products or materials to be supplied to the Group and the production services to be provided to the Group, the price at which each transaction to be conducted under the Daye Labour Purchase and Production Services Framework Agreement will be determined with reference to the market price.
Annual Caps	The year ended 31 December 2012 is RMB9,870,000 The year ended 31 December 2013 is RMB10,860,000

Confirmation from the Independent Non-Executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above and confirmed that the transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Save as disclosed above, none of the transactions disclosed as related party transactions in note 45 to the consolidated financial statements is a connected transaction or a continuing connected transaction of the Company that must be disclosed under the Listing Rules, and the Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Report of the Directors

Confirmation from the Auditor

The Company's auditor has been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

In respect of the continuing connected transactions, the Company's auditor confirmed that:

a. nothing has come to its attention that causes it to believe that the continuing connected transactions have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

c. nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

d. with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to its attention that causes it to believe that the continuing connected transactions have exceeded the maximum aggregate annual value in respect of each of the continuing connected transactions.

Report of the Directors

Continuing connected transactions that were entered into in 2013 and/or which are in effect in 2014

A. Financial Services Framework Agreement

Date	8 October 2013
Parties	1. Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of the transactions	The Group shall provide deposit to the Parent Company and its subsidiaries (the "Parent Group") and such other financial services as agreed by the parties from time to time. The Parent Group shall provide to the Group the following financial services: loans and interest, guarantees and integrated credit facilities; bills acceptance and settlement; and such other financial services as agreed by the parties from time to time.
Price	Based on market price, subject to compliance with applicable laws and regulations.
Annual Caps	For the deposit services, a maximum daily balance (including accrued interests) of: 2014: RMB809,200,000 2015: RMB1,011,500,000 2016: RMB1,314,950,000 For the bills acceptance, settlement services and other financial services: 2014: RMB12,000,000 2015: RMB14,000,000 2016: RMB19,000,000

Report of the Directors

B. Supplemental Financial Services Framework Agreement

The Supplemental Financial Services Framework Agreement was entered into to supplement the Financial Services Framework Agreement in order to better safeguard the interest of the Company and the Shareholders.

Date	7 November 2013
Parties	1. Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Establishment of a financial company:	The Parent Company has established a financial company (the "Parent Financial Company") to serve as the financial platform for facilitating the provision of financial services by the Parent Company to its intra-group companies.
Deposit and loan amounts	The average daily amount of deposits placed by the Group with the Parent Group must not exceed the average daily amount of outstanding loans extended by the Parent Group to the Group.
Set-off upon default on deposits	If the Parent Group is unable to return on time the deposits (including accrued interest) placed to it by the Group, the Group shall have the right to: (1) terminate the Financial Services Framework Agreement; and (2) set off such deposits (including accrued interest) against the outstanding loans (including accrued interest) extended by the Parent Group to the Group.
Compensation for losses suffered by the Group	The Parent Company and its subsidiaries shall jointly and severally fully compensate the Group for any loss incurred by the Group (including in relation to the amount of outstanding deposits or loans and accrued interest or any related expenses incurred) as a result of any of the following: (1) the Parent Group breaches, or is likely to breach, any PRC laws or regulations; (2) the occurrence of, or likely occurrence of, any material problem in the Parent Group's operations or liquidity; or (3) the Parent Group does not comply or breaches the Financial Services Framework Agreement or the Supplemental Financial Services Framework Agreement.
Undertaking by the Parent Group:	The Parent Group undertakes to the Group that if the Parent Financial Company experiences or foresees any liquidity problems, the Parent Group will inject capital into the Parent Financial Company based on the latter's needs in order to ensure the latter's normal operations.

Report of the Directors

C. CNMC Purchase and Production Services Framework Agreement

Date	8 October 2013
Parties	1. Company 2. CNMC
Term	1 January 2014 to 31 December 2016
Nature of transaction	CNMC and its subsidiaries (the "CNMC Group") will: (a) supply certain products to the Group, including: blister copper containing copper, blister copper containing gold, blister copper containing silver, copper concentrate mines containing copper, copper concentrate mines containing gold, copper concentrate mines containing silver, water and electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools and such other products as agreed by the parties from time to time; and (b) provide certain production services to the Group, including: construction, installation, repairs, supervision and such other production services as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; (ii) if there is no applicable government-prescribed price, the market price; or (iii) if no market price is available, the cost of the relevant product/service plus a reasonable service charge.
Annual Caps	2014: RMB4,810,380,000 2015: RMB6,098,150,000 2016: RMB7,395,820,000

Report of the Directors

D. CNMC Sales Framework Agreement

Date	8 October 2013
Parties	1. Company 2. CNMC
Term	1 January 2014 to 31 December 2016
Nature of transaction	The CNMC Group will purchase certain products from the Group, including: copper concentrate mines containing copper, copper concentrate mines containing gold, copper concentrate mines containing silver and such other products as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; (ii) if there is no applicable government-prescribed price, the market price.
Annual Caps	2014: RMB541,230,000 2015: RMB620,420,000 2016: RMB699,610,000

E. New Sales Framework Agreement

Date	8 October 2013
Parties	1. Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of transaction	The Group will supply certain products to the Parent Group, including: silver, copper cathodes, silver extracts containing gold, silver extracts containing silver, silver extracts containing lead, residual heat power generating, water and electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools, sulfuric acid, diesel fuel and such other products as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; (ii) if there is no applicable government-prescribed price, the market price.
Annual Caps	2014: RMB2,588,110 2015: RMB3,182,850 2016: RMB3,766,570

Report of the Directors

F. New Services Framework Agreement

Date	8 October 2013
Parties	1. Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of transaction	The Group will supply certain services to the Parent Group, including: engineering design and surveying, environment monitoring, equipment examination and such other services as agreed by the parties from time to time.
Price	Based on market price
Annual Caps	2014: RMB3,900,000 2015: RMB3,900,000 2016: RMB3,900,000

G. New Purchase and Production Services Framework Agreement

Date	8 October 2013
Parties	1. Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of transaction	(a) The Parent Group will supply certain products to the Group, including: blister copper containing copper, blister copper containing gold, blister copper containing silver, water and electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools, copper concentrates containing copper, copper concentrates containing gold, copper concentrates containing silver, gold concentrate containing gold, gold ore containing gold and such other products as agreed by the parties from time to time; and (b) The Parent Group will provide certain production services to the Group, including: processing of copper anodes, relocation compensation, steel-casting, repair, technological engineering, processing of anode plates, engineering labour, transportation (including renting a sulfuric acid tank), labour, inspection and such other production services as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; (ii) if there is no applicable government-prescribed price, the market price; or (iii) if no market price is available, the cost of the relevant product/service plus a reasonable service charge.
Annual Caps	2014: RMB2,091,010 2015: RMB2,507,240 2016: RMB2,908,440

Report of the Directors

H. New Combined Ancillary Services Framework Agreement

Date	8 October 2013
Parties	1. Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of transaction	The Parent Group will provide certain services to the Group, including: cylinder maintenance, waste disposal, medical, canteen, commute, property management, green engineering, dining subsidies, mineral water, mining, disease prevention, mobile telecommunication, water, electricity, building maintenance, environmental conservation, university accommodation, training, conference, agricultural and such other services as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price.
Annual Caps	2014: RMB431,300,000 2015: RMB452,990,000 2016: RMB475,530,000

I. Asset Lease Framework Agreement

Date	8 October 2013
Parties	1. Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of transaction	The Group will lease certain assets (including sulfuric acid tank trucks and other assets) to the Parent Group, and also guarantee that the Parent Group will have the exclusive right to use such assets during the term of this agreement.
Price	Based on market price
Annual Caps	2014: RMB11,470,000 2015: RMB11,470,000 2016: RMB11,470,000

Report of the Directors

J. New Daye Transportation Purchase Framework Agreement

Date	8 October 2013
Parties	1. Company 2. Daye Transportation
Term	1 January 2014 to 31 December 2016
Nature of transaction	Daye Transportation will supply certain products to the Group, including: tyres, automobile parts and components, petrol, diesel oil and such other products as agreed by the parties from time to time.
Price	Based on market price
Annual Caps	2014: RMB5,450,000 2015: RMB5,300,000 2016: RMB5,140,000

K. New Tonghua Hotel Services Framework Agreement

Date	8 October 2013
Parties	1. Company 2. Tonghua Hotel
Term	1 January 2014 to 31 December 2016
Nature of transaction	Tonghua Hotel will provide certain services to the Group, including: accommodation, catering, conference and such other services as agreed by the parties from time to time.
Price	Based on the market price
Annual Caps	2014: RMB7,000,000 2015: RMB7,000,000 2016: RMB7,000,000

Report of the Directors

L. Land Lease Framework Agreement

Date	23 December 2011
Parties	1. Company 2. Parent Company
Term	From the date on which the Land Lease Framework Agreement takes effect in accordance with its terms until 31 December 2039.
Rent, fees and other payables	Rent will be the annual depreciation amount of the relevant parcel of land, which will be calculated as the total amount paid by the owner of the land to the relevant government authorities for acquiring the relevant land use right, divided by the estimated useful life of such land. The lessee will also bear all the taxes and duties payable for the lease, which will be calculated by reference to the rent payable. Both the rent and the aggregate taxes and duties payable by the lessee for each parcel of land will be the same for each year during the term of the lease.
Annual Caps	2014: RMB23,890,000 2015: RMB23,890,000 2016: RMB23,890,000

Independence Confirmation

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Employees, Remuneration Policy and Share Option Scheme

As at 31 December 2013, the Group had 9,529 employees (2012: 10,608). The Group's total staff cost for the year was approximately RMB737,214,000 (2012: approximately RMB622,775,000). The remuneration package of staff consists of basic salary, mandatory provident fund, insurances and other benefits considered appropriate.

Remuneration of the employees of the Group is determined by reference to the market, individual performance and their respective contribution to the Group.

Directors' emoluments are subject to the recommendations of the remuneration committee of the Company and the Board's approval. Other emoluments including discretionary bonuses, are determined by the Board with reference to Directors' duties, abilities, reputation and performance.

The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentives or rewards for their contribution to the Group. On 26 March 2013, the directors of the Company passed a resolution to cancel all of the outstanding share options.

Report of the Directors

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 December 2013 and as of the date of this report.

Auditor

The consolidated financial statements of the Group for the year end 31 December 2011 was audited by Pan-China (HK) CPA Limited, while Messrs. Deloitte Touche Tohmatsu ("Deloitte"), were appointed as the auditor of the Company in 2012 and have audited the consolidated financial statements of the Group for the years ended 31 December 2012 and 2013. Deloitte will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte as the auditor of the Company.

Professional Tax Advice Recommended

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

Board's Responsibilities for the Accounts

The Board is responsible for the preparation of accounts for each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 December 2013, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and has prepared the accounts on a going concern basis.

On behalf of the Board
Zhang Lin
Chairman

Corporate Governance Report

The Company recognized the importance of maintaining a high standard of corporate governance. The Company believes that an effective corporate governance practice is fundamental to enhancing shareholder value and safeguarding the interests of Shareholders and other stakeholders. The Board sets appropriate policies and implements corporate government practices appropriate to the conduct and growth of the Group's business. The code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") have been adopted to shape the Company's corporate governance structure. This corporate governance report describes how the principles of the CG Code have been applied during the year ended 31 December 2013 under different aspects.

CG Code Compliance

For the year ended 31 December 2013, the Company had complied with the code provisions of the CG Code except for deviations from code provision A.4.1 of the CG Code as summarized below:

Pursuant to code provision A.4.1 of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. All independent non-executive Directors of the Company were not appointed for a specific term in their respective letter of appointment. However, they are still subject to retirement by rotation and re-election at least once every three years (after he was elected or re-elected) at the annual general meetings of the Company pursuant to the relevant provisions of the Company's Bye-laws, which achieves the same effect as having the non-executive Directors being appointed for a specific term.

Directors' Securities Transactions

The Company has adopted its own code governing Director' securities transactions on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiries with all the Directors and all of them have confirmed their compliance with the Model Code and the Company's code governing Director' securities transactions for the year ended 31 December 2013. No incident of non-compliance by the Directors has been noted by the Company during the year.

Board of Directors

Composition of the Board

As at the date of this report, the Board comprises four executive Directors (including the Chairman of the Board) and three independent non-executive Directors, whose biographical details are set out in the "Biographical Details of Directors" section on pages 3 to 4 of this annual report, namely:

Name of Director	Date of first appointment to the Board	Date of last re-election as Director
Executive Director		
Zhang Lin *(Chairman)*	22 March 2012	23 May 2012
Long Zhong Sheng *(Chief Executive Officer)*	22 March 2012	20 May 2013
Zhai Baojin	22 March 2012	23 May 2012
Tan Yaoyu	22 March 2012	23 May 2012
Independent Non-Executive Director		
Wang Qihong	21 April 2006	20 May 2013
Wang Guoqi	21 April 2006	20 May 2013
Qiu Guanzhou	14 May 2009	23 May 2012

Corporate Governance Report

Roles and responsibilities of the Board

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board meets regularly to discuss the overall strategies as well as operational and financial performances of the Group. Certain matters are reserved for decisions by the Board, including matters relating to: (i) the formulation of the Group's overall strategy and directions; (ii) any material conflict of interest of substantial Shareholders of the Company or Directors; (iii) approval of the Group's annual results, annual budgets, interim results and other significant operational and financial transactions; (iv) changes to the Company's capital structure; and (v) major appointments to the Board. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of policies and strategies decided by the Board to the executive Directors and management of the Company.

The Board is also responsible for performing the corporate governance duties including risk management, internal controls and relevant compliance issues relating to the business operation of the Group.

The Board reviews and monitors the training and continuous professional developments of directors and senior managers; develops, reviews and monitors the code of conduct and compliance manual applicable to employees and directors.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All Directors bring a variety of experience and expertise to the Company.

Board meetings and Board practices

All Directors have been given sufficient time and support to understand the affairs of the Group and they have full and timely access to all relevant information regarding the Group's affairs and have unrestricted access to the advice and services of the Company Secretary. The Directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

During the year ended 31 December 2013, 10 Board meetings and 2 general meetings of the Company were held. The meetings are structured to allow open discussion. At the board meetings, the Directors participated in discussing the strategies, operational and financial performance, corporate governance policy and internal control of the Group.

Set out below is the attendance of the Directors at the Board and general meetings held during the year:

	No. of meetings attended/ Eligible to attend	
Name of Director	**Board meeting**	**General meeting**
Executive Director		
Zhang Lin *(Chairman)*	10/10	1/2
Long Zhong Sheng *(Chief Executive Officer)*	10/10	2/2
Zhai Baojin	10/10	2/2
Tan Yaoyu	10/10	2/2
Wan Bi Qi (Resigned on 20 May 2013)	2/2	0/0
Independent Non-Executive Director		
Wang Qihong	10/10	2/2
Wang Guoqi	10/10	1/2
Qiu Guanzhou	10/10	1/2

Corporate Governance Report

The Company Secretary or the staff of the company secretarial department of the Company prepared and kept detailed minutes of each Board meeting and, within a reasonable time after each meeting, the draft minutes were circulated to all Directors for comment and the final and approved version of the minutes were sent to all Directors for their records. The same practices and procedures as used in the Board meetings had also been adopted and followed for the Board committees meetings. All the minutes of the meetings recorded sufficient details of the matters considered and decision reached are available for inspection by the Directors at anytime.

Notices of Board meetings were given to the Directors at least 14 days prior to the date of the relevant meeting. Briefing papers were prepared for all substantive agenda items and were circulated to the Directors at least 3 days before each Board meeting. The Company Secretary is responsible for providing accurate, timely and clear information to the Directors prior to the Board meetings so as to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meeting.

If any of the Directors has a potential conflict of interest in a matter being considered in the Board meeting, such Director(s) shall abstain from voting in relation to that particular matter. Independent non-executive Directors with no conflict of interest in such matters would be present at the Board meetings to deal with such conflict of interest issues.

Access to sufficient information of the Group

The management is committed to provide the Board with appropriate and sufficient explanation and information of the Group's affairs through financial reports, business and operational reports and budget statements, in a timely manner, to enable them to make informed decisions.

The Directors are also provided with access to the Group's management and Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company.

Continuing professional development

The Directors keep abreast of their responsibilities and of the conduct, business activities and development of the Company. The Company Secretary from time to time updates and provides written training materials to the Directors, and organizes seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities.

During the year ended 31 December 2013, the Company provided two seminars to the Directors and the management of the Company on topics covering the latest developments of the Corporate Governance Code and the Listing Rules. All of the Directors attended these two seminars.

Liability insurance for the Directors

The Company has appropriate liability insurance in place to indemnify all the Directors for the liabilities arising out of the corporate activities. The Company renews the insurance coverage on an annual basis.

Chairman and Chief Executive Officer

In accordance with code provision A.2.1 of the CG Code, the roles of the Chairman, Mr. Zhang Lin, and those of the Chief Executive Officer, Mr. Long Zhong Sheng, are segregated in order to reinforce their independence and accountability.

Corporate Governance Report

Mr. Zhang Lin is responsible for providing leadership of the Board and ensuring that all Directors are properly informed on issues to be discussed at Board meetings. In addition, he is responsible for ensuring that all Directors receive, in a timely manner, adequate, complete and reliable information in relation to the Group's affairs. The Chairman also encourages Directors to actively participate in and to make a full contribution to the Board so that the Board functions effectively and acts in the best interest of the Company.

Mr. Long Zhong Sheng is responsible for the strategic planning, administration and management of the business of the Group. He is also responsible for the formulation and successful implementation of Group policies and assuming full accountability to the Board for all operations of the Group. Mr. Long Zhong Sheng oversees the Group's compliance and internal control matters and maintains an ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business developments and issues. He has also been focusing on strategic planning and assessment of mergers and acquisitions opportunities for the Company.

Non-Executive Directors

All non-executive Directors were not appointed for a specific term under their respective letter of appointment. However, they are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, which achieves the same effect as having the non-executive Directors being appointed for a specific term. In the Board meetings and Board committee meetings held during the year, constructive views and comments are given from the non-executive Directors, who have provided their independent judgment on the issues relating to the strategy, performance, conflict of interest and management process of the Group.

During the year ended 31 December 2013, there were three independent non-executive Directors, representing more than one-third of the Board. Among the three independent non-executive Directors, one of them has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its independent non-executive Director a written confirmation of his independence and the Board considers all of them, namely Mr. Wang Qihong, Mr. Wang Guoqi ad Mr. Qiu Guanzhou, to be independent pursuant to Rule 3.13 of the Listing Rules.

Company Secretary

The Company Secretary, Ms Yeung Wing Kwan, plays an important role in supporting the Board by ensuring efficient and effective information flow within the Board and that the Board's policy and procedures are followed.

The Company Secretary has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Board through the Chairman and Chief Executive Officer. All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters and facilitate the induction and professional development of the Directors.

The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

During the year ended 31 December 2013, the Company Secretary had undertaken 20 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

The Board is fully involved in the selection and appointment of the Company Secretary.

Corporate Governance Report

Board Committees

To assist the Board in the execution of its duties, the Board has delegated specific functions to three Board committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, details of which are as follows:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
Executive Director			
Zhang Lin *(Chairman)*	–	–	Chairman
Long Zhong Sheng	–	–	–
Zhai Baojin	–	–	–
Tan Yaoyu	–	–	–
Independent Non-Executive Director			
Wang Qihong	Member	Member	Member
Wang Guoqi	Chairman	Chairman	Member
Qiu Guanzhou	Member	Member	Member

The written terms of reference for each of the Board committees are available at the Company's website and the Stock Exchange's website.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company, and the remuneration packages of individual Directors and senior management of the Company.

The remuneration for the executive Directors comprises basic salary, bonus and share options.

Salary adjustments are made where Remuneration Committee takes into account performance, contribution and responsibilities of the individual. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

In order to attract, retain and motivate talented eligible staff, including the Directors, the Company has adopted a share option scheme. The scheme enables the eligible persons to obtain an ownership interest in the Company and thus motivating them to optimize their continuing contributions to the Company.

Corporate Governance Report

The following table illustrates the elements of remuneration of executive Directors and senior management.

Remuneration	Purpose	Reward	Policy details
Basic salary	To reflect the market value of each individual	Cash payment monthly	Reviewed annually with market trend
Allowance	To attract and retain employees	Reimbursement	Market conditions
Discretionary bonus	To motivate employees to deliver high levels of performance of the Company and individual performance goals	Cash payment	– Individual performance – Company performance
Share Option *(Note)*	To motivate the participants and retain the employees	Share option	Eligible participants may be awarded share options in accordance with the share option scheme

Note: The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentives or rewards for their contribution to the Group. On 26 March 2013, the directors of the Company passed a resolution to cancel all of the outstanding share options.

The following table shows the breakdown of the Directors' remuneration for the year ended 31 December 2013:

		Other emoluments			
	Fees *RMB'000*	**Salaries and other allowances** *RMB'000*	**Employee share option benefits** *RMB'000*	**Retirement benefit scheme contribution** *RMB'000*	**Total** *RMB'000*
2013					
Executive Directors					
Mr. Zhang Lin	**–**	**757**	**–**	**28**	**785**
Mr. Long Zhong Sheng	**1,739**	**281**	**–**	**28**	**2,048**
Mr. Zhai Baojin	**–**	**757**	**–**	**28**	**785**
Mr. Tan Yaoyu	**–**	**568**	**–**	**28**	**596**
Mr. Wan Bi Qi *(Note)*	**712**	**–**	**–**	**9**	**721**
Independent Non-executive Directors					
Mr. Wang Guoqi	**80**	**–**	**–**	**–**	**80**
Mr. Wang Qihong	**80**	**–**	**–**	**–**	**80**
Mr. Qiu Guanzhou	**80**	**–**	**–**	**–**	**80**
	2,691	**2,363**	**–**	**121**	**5,175**

Note: Mr. Wan Bi Qi resigned as an executive Director on 20 May 2013.

Corporate Governance Report

During the year ended 31 December 2013, the Remuneration Committee held 1 meeting. The Remuneration Committee determined the policy for the remuneration of executive Directors' and assessed the performance of the executive Directors. Members of the Remuneration Committee and the attendance of each member are as follows:

Name of Director	Position	Role in Remuneration Committee	Meetings Attended/ Eligible to Attend
Wang Guoqi	Independent non-executive Director	Chairman	1/1
Wang Qihong	Independent non-executive Director	Member	1/1
Qiu Guanzhou	Independent non-executive Director	Member	1/1

Nomination Committee

The Nomination Committee's responsibilities include reviewing the structure, size, diversity and composition of the Board, identifying individuals suitable and qualified to become Board members and making recommendations to the Board (regarding the selection of individuals nominated for directorship, the appointment of Directors and their succession planning) with due regard to the Nomination Committee's board diversity policy (the "Board Diversity Policy") and assessing the independence of the independent non-executive Directors.

The criteria for appointment of a new director are set out below:

- independence (in the case of a potential independent non-executive Director);
- possession of core competencies that meet the needs of the Company;
- ability to commit time and carry out duties and responsibilities.

The Nomination Committee makes recommendations of the appointment of new Directors after taking the following steps:

- Evaluate the balance of skills, knowledge and experience on the Board and determine the role and desirable competencies for a particular appointment in consultation with the management; and
- Conduct interviews with potential candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required.

During the year ended 31 December 2013, the Nomination Committee held 1 meeting. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and expense) of the Board and also the policy for the nomination of Directors during the year.

Corporate Governance Report

Also, the Company recognizes and embraces the benefits of having a diverse Board. As such, during the year, the Nomination Committee formulated and adopted the Board Diversity Policy in August 2013 and the Nomination Committee has been delegated with the task of reviewing the Board Diversity Policy, the measurable objectives set for implementing the Board Diversity Policy, and the progress on achieving such objectives. The Board Diversity Policy sets out the approach to achieve diversity in the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. While the Board does not think specific quotas on such criteria as gender are appropriate and considers that the opportunities should be made on merit, it does believe that a diverse mix of skills, experience and knowledge background is important of which gender is a significant element. In making future appointments to the Board, consideration will be given to gender diversity. Members of the Nomination Committee and the attendance of each member are as follows:

Name of Director	Position	Role in Nomination Committee	Meetings Attended/ Eligible to Attend
Zhang Lin	Executive Director	Chairman	1/1
Wang Guoqi	Independent non-executive Director	Member	1/1
Wang Qihong	Independent non-executive Director	Member	1/1
Qiu Guanzhou	Independent non-executive Director	Member	1/1

Audit Committee

The principal duties of the Audit Committee include monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of Company's internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget) and risk management as delegated by the Board, and making recommendations to the Board on the appointment and engagement of the external auditor for the audit and non-audit services. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

Members of the Audit Committee and the attendance of each member are as follows:

Name of Director	Position	Role in Audit Committee	Meetings Attended/ Eligible to Attend
Wang Guoqi	Independent non-executive Director	Chairman	2/2
Wang Qihong	Independent non-executive Director	Member	2/2
Qiu Guanzhou	Independent non-executive Director	Member	2/2

During the year ended 31 December 2013, the Audit Committee reviewed with the management and the external auditor the interim results and related announcement including the disclosures, financial reporting and the accounting policies adopted by the Group prior to the submission to the Board's approval; discussed with management on significant judgments affecting Group's consolidated financial statements and approved the appointment of auditor; reviewed and discussed the internal control report; reviewed and assessed the adequacy and effectiveness of the Company' internal control and risk management; and reviewed and monitored the external auditor's independence and objectivity and the effectiveness during the audit process.

Corporate Governance Report

The Board is responsible for preparing the financial statements that give a true and fair view of the financial position of the Group on a going concern basis. The Audit Committee has reviewed the Company's annual results and consolidated financial statements for the year ended 31 December 2013. The Directors acknowledge their responsibilities for preparing a balanced, clear and comprehensive assessment in annual/interim reports, price-sensitive announcements and other financial disclosures. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the year ended 31 December 2013, Deloitte was appointed as the Group's auditor until the conclusion of next annual general meeting. The remuneration paid/payable to Deloitte in respect of their audit and non-audit services were as follow:

	2013 *RMB'000*
Audit Services	**3,329**
Non-audit Services	**–**
Total	**3,329**

The accounts for the year were audited by Deloitte whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that Deloitte be nominated for re-appointment as the auditor of the Company at the forthcoming annual general meeting.

Internal Control

The Board is responsible for the effectiveness of the Group's internal control systems. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against any misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business operations and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis.

During the year, the Audit Committee reviewed the effectiveness of the Company's internal control and risk management procedures and was satisfied that the Company's internal control processes are adequate to meet the needs of the Company in its current business environment.

To further strengthen the internal control of the Group, a control department has been established to provide day-to-day management of the compliance and control of the Group in order to eliminate risks of failure of operational systems and the achievement of the Company's objectives.

To enhance the knowledge of relevant staff of the Group, training will be provided to them on the relevant rules and applicable laws when appropriate.

Based on the internal control report, the Board is of the view that the internal controls of the Group are adequate and in compliance with the code provision on internal control as set out in the Listing Rules.

Corporate Governance Report

Green policies

We implement paper recycling policy for papers at our offices in Hong Kong and the PRC. Staffs are also encouraged to practice energy saving habits, such as setting their computers to sleep mode when not in use and using internal communication in the form of direct electronic mail.

During the year, the Group successfully achieved reduction in the usage of energy and paper.

Investor and Shareholder Relations

Communication with Shareholders and Investors

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining high degree of transparency to ensure the investors and the Shareholders are receiving accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, press announcements, and also the Company's website at www.hk661.com.

Corporate communications issued by the Company have been provided to the Shareholders in both English and Chinese versions to facilitate their understanding of the Group's affairs. A section entitled "Investor relations"is available on the Company's website, of which information is updated on a regular basis.

Information released by the Company to the Stock Exchange is also posted on the Company's website immediately thereafter in accordance with the Listing Rules. Such information includes financial statements, announcements, circulars to Shareholders and notices of general meetings, etc.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed with the Group's strategy, operations, management and plans. The Company's website is also a source of information for its Shareholders and prospective Shareholders. All materials on annual reports, interim reports and announcements are available on our website immediately following confirmation of their release. The contact details of the Investor Relations are also available on the Company's website which allows Shareholders to contact the Company easily.

The Directors and the Board committees' members are available to answer the questions from the Shareholders through the annual general meeting. External auditor is also available at the annual general meeting to address Shareholders' queries. Separate resolutions are proposed at general meeting on each substantially separate issue.

Our investor relations activities include:

- teleconferencing with analysts and fund managers;
- updating the Company's website regularly;
- holding annual general meetings with Shareholders;
- disclosing information on a time basis via the Company and Stock Exchange's website.

Corporate Governance Report

Convening of General Meetings

The Board strives to maintain an on-going dialogue with the Shareholders of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting are monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. The Company uses annual general meeting as one of the principal channels for communicating with the Shareholders. The Company ensures that Shareholders' views are communicated to the Board.

At the annual general meeting, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors. The Chairman of the Board, chairmen of the respective Board committees and the external auditor usually attend annual general meetings to communicate with and answer questions from the Shareholders.

The last annual general meeting of the Company was the 2012 annual general meeting (the "2012 AGM") which was held on 20 May 2013 at Aberdeen Room, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong. The Directors, including the chairman of the Board, the chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee, and representatives from Deloitte attended the 2012 AGM.

All resolutions put to Shareholders at the 2012 AGM were passed. The Company's Hong Kong branch share registrar were appointed as scrutineers to monitor and count the poll votes cast at that meeting. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

Resolutions proposed at the 2012 AGM		Percentage of votes
1	To consider and receive the audited consolidated financial statements of the Company and the reports of the directors and auditor for the year ended 31 December 2012.	100.00%
2	To re-elect Mr. Long Zhong Sheng as an executive director of the Company.	99.98%
3	To re-elect Mr. Wang Qihong as an independent non-executive director of the Company.	99.22%
4	To re-elect Mr. Wang Guoqi as an independent non-executive director of the Company.	99.22%
5	To authorize the Board to fix the respective directors' remuneration.	100.00%
6	To appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company and its subsidiaries to hold office until the conclusion of the next annual general meeting, and to authorize the Board to fix its remuneration.	100.00%
7	To give a general mandate to the directors to purchase the Company's ordinary shares not exceeding 10% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of passing of this resolution.	100.00%
8	To give a general mandate to the directors to issue, allot and deal with additional ordinary shares of the Company not exceeding 20% of the aggregate nominal amount of the issued ordinary share capital of the Company as at the date of passing of this resolution.	99.20%
9	To extend the general mandate granted to the directors to issue, allot and deal with additional ordinary shares in the capital of the Company by the aggregate nominal amount of ordinary shares repurchased by the Company.	99.22%
10	To approve the share premium cancellation to eliminate in full accumulated losses of the Company as at the Effective Date (as amended by the amendment resolution).	99.99%

Corporate Governance Report

Shareholder's Rights

Procedures for Shareholders to convene an extraordinary general meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

The Board may whenever it think fit call extraordinary general meetings. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expense incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

Contact details of the Company Secretary:
Ms. Yeung Wing Kwan
Unit 2001, World Wide House,
19 Des Voeux Road,
Central, Hong Kong
Fax: (852) 2868 2302

Company's constitutional documents

There was no significant change in the Company's Memorandum of Association and Bye-laws during the year.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA DAYE NON-FERROUS METALS MINING LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Daye Non-Ferrous Metals Mining Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 166 which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 31 December 2013, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
Revenue	6, 7	**43,598,452**	28,878,123
Cost of sales/services		**(42,702,412)**	(28,015,144)
Gross profit		**896,040**	862,979
Other income	8	**78,452**	83,012
Selling expenses		**(75,472)**	(56,581)
Administrative expenses		**(344,211)**	(392,220)
Other operating expenses		**(50,180)**	(33,688)
Impairment of goodwill	20	**(1,961,656)**	–
Other (losses) gains, net	9	**56,492**	86,241
Finance costs	10	**(536,801)**	(368,100)
(Loss) profit before tax		**(1,937,336)**	181,643
Income tax expense	11	**(30,389)**	(17,991)
(Loss) profit for the year	12	**(1,967,725)**	163,652
Other comprehensive income for the year:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**14,837**	7,160
Fair value gain on available-for-sale financial assets		**–**	–
Other comprehensive income for the year, net of income tax		**14,837**	7,160
Total comprehensive (expense) income for the year		**(1,952,888)**	170,812
(Loss) profit for the year attributable to:			
Owners of the Company		**(1,949,229)**	157,176
Non-controlling interests		**(18,496)**	6,476
		(1,967,725)	163,652
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(1,936,629)**	163,052
Non-controlling interests		**(16,259)**	7,760
		(1,952,888)	170,812
(Loss) earnings per share	15		
— Basic		**RMB(11.25)fen**	RMB0.96fen
— Diluted		**N/A**	RMB0.92fen

Consolidated Statement of Financial Position

At 31 December 2013

		At 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**6,640,509**	5,619,479
Exploration and evaluation assets	*17*	**161,023**	90,240
Prepaid lease payments	*18*	**718,894**	738,982
Intangible assets	*19*	**916,267**	1,156,395
Goodwill	*20*	**–**	1,961,656
Interests in joint ventures	*21*	**64,702**	–
Deferred tax assets	*22*	**76,056**	104,781
Restricted bank deposits	*28*	**171,993**	–
Deposit for acquisition of intangible assets	*23*	**31,696**	32,690
Deposits for acquisition of property, plant and equipment	*26*	**114,731**	91,750
		8,895,871	9,795,973
CURRENT ASSETS			
Prepaid lease payments	*18*	**20,299**	20,510
Inventories	*24*	**5,354,078**	4,764,501
Trade, bills and notes receivables	*25*	**643,273**	634,328
Prepayments and other receivables	*26*	**1,141,164**	663,469
Derivative financial instruments	*27*	**5,057**	1,361
Restricted deposits and bank balances	*28*	**301,972**	444,892
Bank deposits, bank balances and cash	*28*	**1,433,470**	1,030,709
		8,899,313	7,559,770
CURRENT LIABILITIES			
Trade payables	*29*	**1,255,860**	1,383,121
Other payables and accrued expenses	*30*	**1,492,513**	795,420
Current income tax liabilities		**–**	1,179
Derivative financial instruments	*27*	**154,006**	954
Bank and other borrowings — due within one year	*31*	**5,901,963**	4,970,952
Provisions	*32*	**30,720**	48,642
Cumulative redeemable preference shares	*33*	**873**	900
Convertible notes/bonds	*34*	**–**	163,682
Early retirement obligation	*36*	**9,710**	14,560
		8,845,645	7,379,410
NET CURRENT ASSETS		**53,668**	180,360
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,949,539**	9,976,333

Consolidated Statement of Financial Position — continued

At 31 December 2013

	Notes	At 31 December 2013 RMB'000	2012 RMB'000
CAPITAL AND RESERVES			
Issued equity	*37*	**705,506**	705,506
Share premium and reserves		**2,862,782**	4,786,942
Equity attributable to owners of the Company		**3,568,288**	5,492,448
Non-controlling interests		**404,312**	433,040
TOTAL EQUITY		**3,972,600**	5,925,488
NON-CURRENT LIABILITIES			
Convertible notes/bonds	*34*	**1,354,274**	521,841
Bank and other borrowings — due after one year	*31*	**3,194,645**	2,982,384
Deferred income	*35*	**217,023**	185,458
Provisions	*32*	**39,169**	171,967
Early retirement obligation	*36*	**30,153**	46,790
Deferred tax liabilities	*22*	**141,675**	142,405
		4,976,939	4,050,845
		8,949,539	9,976,333

The consolidated financial statements on pages 63 to 166 were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

Zhang Lin
DIRECTOR

Long Zhong Sheng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company													
	Issued equity													
	Ordinary share capital RMB'000 (Note 37)	Other reserve RMB'000	Contributed surplus accounts RMB'000	Share premium RMB'000	Share option reserve RMB'000 (Note (iv))	Convertible note equity reserve RMB'000 (Note 34(b))	Capital reserve RMB'000 (Note (i))	PRC statutory reserves RMB'000 (Note (ii))	Translation reserve RMB'000	Available-for-sale financial assets revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	227,646	(227,646)	–	–	–	–	3,343,543	56,078	–	–	206,451	3,606,072	176,111	3,782,183
Profit for the year	–	–	–	–	–	–	–	–	–	–	157,176	157,176	6,476	163,652
Other comprehensive income for the year	–	–	–	–	–	–	–	–	5,876	–	–	5,876	1,284	7,160
Total comprehensive income for the year	–	–	–	–	–	–	–	–	5,876	–	157,176	163,052	7,760	170,812
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	47,250	47,250
Arising from the Transaction (as defined in Note 2)														
— deemed consideration	477,860	1,781,949	–	–	–	–	–	–	–	–	–	2,259,809	–	2,259,809
— recognition of share premium reserve and share option reserve arising from the Transaction	–	–	–	4,157,385	51,648	–	(4,209,033)	–	–	–	–	–	–	–
— recognition of share premium reserve immediately before completion of the Transaction	–	–	–	2,374,573	–	–	(2,374,573)	–	–	–	–	–	–	–
— recognition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	150,216	150,216
— issue of HK$1,003,836,048 zero coupon convertible note, net of income tax *(note 34(b))*	–	–	–	–	–	281,298	(817,423)	–	–	–	–	(536,125)	–	(536,125)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	18,019	–	–	(18,019)	–	–	–
Arising from acquisition of a subsidiary *(Note 39(b))*	–	–	–	–	–	–	–	–	–	–	–	–	51,703	51,703
Transfer from capital reserve	–	–	–	–	–	–	(139,471)	–	–	–	139,471	–	–	–
Others	–	–	–	–	–	–	(360)	–	–	–	–	(360)	–	(360)
At 31 December 2012	705,506	1,554,303	–	6,531,958	51,648	281,298	(4,197,317)	74,097	5,876	–	485,079	5,492,448	433,040	5,925,488

Consolidated Statement of Changes in Equity — continued

For the year ended 31 December 2013

	Attributable to owners of the Company													
	Issued equity													
	Ordinary share capital *RMB'000* *(Note 37)*	Other reserve *RMB'000*	Contributed surplus accounts *RMB'000*	Share premium *RMB'000*	Share option reserve *RMB'000* *(Note (iv))*	Convertible note equity reserve *RMB'000* *(Note 34(b))*	Capital reserve *RMB'000* *(Note (i))*	PRC statutory reserves *RMB'000* *(Note (ii))*	Translation reserve *RMB'000*	Available-for-sale financial assets revaluation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2013	705,506	1,554,303	–	6,531,958	51,648	281,298	(4,197,317)	74,097	5,876	–	485,079	5,492,448	433,040	5,925,488
Loss for the year	–	–	–	–	–	–	–	–	–	–	(1,949,229)	(1,949,229)	(18,496)	(1,967,725)
Other comprehensive income for the year *(Note (v))*	–	–	–	–	–	–	–	–	12,600	–	–	12,600	2,237	14,837
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	–	12,600	–	(1,949,229)	(1,936,629)	(16,259)	(1,952,888)
Reduction of share premium *(Note (iii))*	–	–	4,373,075	(6,531,958)	–	–	–	–	–	–	2,158,883	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	23,439	–	–	(23,439)	–	–	–
Cancellation and lapse of share options	–	–	–	–	(51,648)	–	–	–	–	–	51,648	–	–	–
Deemed acquisition of additional equity interests of subsidiaries	–	–	–	–	–	–	12,469	–	–	–	–	12,469	(12,469)	–
At 31 December 2013	705,506	1,554,303	4,373,075	–	–	281,298	(4,184,848)	97,536	18,476	–	722,942	3,568,288	404,312	3,972,600

Notes:

(i) The balance of capital reserve mainly comprises capital contribution from the then immediate holding company of Prosper Well Group Limited, a wholly owned subsidiary of the Company acquired in the Transaction, and the reserves arising from the Transaction.

(ii) Statutory reserves

Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholders.

(iii) In accordance with the provisions of section 46 of the Companies Act 1981 of Bermuda, the entire amount standing to the credit of the share premium account of the Company was cancelled and was partly applied to eliminate in full accumulated losses of the Company with the remainder to be credited to the contributed surplus account of the Company.

(iv) Pursuant to the board resolution of the Company on 26 March 2013, the Company's share options scheme adopted on 13 October 2003 was cancelled.

(v) Included the fair value gain on available-for-sale financial assets recognised by a subsidiary of RMB43,439,000, and the same amount was reclassified to profit or loss upon disposal of the subsidiaries (see note 39(c)).

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before tax	**(1,937,336)**	181,643
Adjustments for:		
Interest income	**(47,574)**	(30,110)
Net unrealised exchange losses (gains)	**5,353**	(25,403)
Finance costs	**536,801**	368,100
Depreciation and amortisation	**488,908**	391,407
Loss on disposal of property, plant and equipment, net	**10,623**	3,149
Gain on disposal of interest in subsidiaries, net	**(42,072)**	–
Allowance for impairment of trade receivables	**53**	705
Allowance for (reversal of allowance for) impairment of other receivables	**7,752**	(6,875)
(Reversal of provision for) Provision for early retirement and employees medical obligation, net	**(90,736)**	1,540
Loss (gain) on fair value changes in respect of commodity derivatives contracts, currency forward contracts, provisionally priced sales agreements, commodity futures contracts and inventory hedged by commodity futures contracts	**131,952**	(29,173)
Gain on fair value changes in respect of gold loans	**(127,485)**	(3,114)
Gain on derivative component on convertible notes	**(38,440)**	(12,271)
Effect of maturity date extension of convertible notes	**–**	(4,980)
Impairment of goodwill	**1,961,656**	–
Amortisation of deferred income	**(9,845)**	(10,216)
Impairment of mining rights	**186,183**	–
Operating cash flows before movements in working capital	**1,035,793**	824,402
Increase in inventories	**(581,113)**	(933,105)
Decrease in derivative financial instruments	**8,940**	–
(Increase) decrease in trade and bills receivables	**(1,675,788)**	22,099
Increase in prepayments and other receivables	**(1,482,275)**	(485,989)
Increase in trade payables	**1,169,128**	85,285
Increase (decrease) in other payables and accrued expenses	**1,319,940**	(124,876)
Benefits paid for early retirement and employees medical obligation	**(89,513)**	(36,332)
(Increase) decrease in other deposits	**(253,498)**	32,930
Cash used in operations	**(548,386)**	(615,586)
Income taxes paid	**(1,294)**	(17,408)
NET CASH USED IN OPERATING ACTIVITIES	**(549,680)**	(632,994)

Consolidated Statement of Cash Flows — continued

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,242,342)**	(1,627,350)
Expenditure on exploration and evaluation assets		**(70,783)**	(9,331)
Purchase of intangible assets		**(774)**	(18,860)
Refund of Tong Xing Consideration	19(a)	**26,080**	–
Addition of prepaid lease payments		**–**	(1,308)
Net cash inflow arising from the Transaction	39(a)	**–**	57,799
Net cash inflow arising from acquisition of assets through acquisition of a subsidiary	39(b)	**–**	5,012
Proceeds from disposal of property, plant and equipment		**1,272**	457
Net cash outflow from disposal of subsidiaries	39(c)	**(91,617)**	–
Receipts of government grants		**47,329**	85,880
(Increase) decrease in non-restricted bank deposits with original maturity of more than three months when acquired		**(171,993)**	362,659
Purchase of available-for-sale financial assets		**(4,921,876)**	–
Decrease in restricted bank deposits and bank balances		**396,418**	183,897
Interest received		**47,574**	44,727
NET CASH USED IN INVESTING ACTIVITIES		**(5,980,712)**	(916,418)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new borrowings		**12,586,468**	9,015,634
Repayment of borrowings		**(4,941,743)**	(7,990,046)
Proceeds from convertible bonds, net of issue expenses	34(c)	**796,000**	–
Repayment of convertible notes	34(a)	**(174,882)**	–
Advance from the ultimate holding company		**222,329**	2,843,070
Repayment to the ultimate holding company		**(1,180,007)**	(1,316,982)
Capital contribution from non-controlling interests		**4,900**	47,250
Finance costs paid		**(351,260)**	(354,329)
NET CASH FROM FINANCING ACTIVITIES		**6,961,805**	2,244,597
NET INCREASE IN CASH AND CASH EQUIVALENTS		**431,413**	695,185
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,030,709**	328,364
Effect of foreign exchange rate changes		**(28,652)**	7,160
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,433,470**	1,030,709
REPRESENTED BY:			
Bank balances and cash		**1,433,470**	1,030,709

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

China Daye Non-Ferrous Metals Mining Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The address of the registered office and principal place of business of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong, respectively.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally involved in mining and processing of mineral ores and selling/trading of metal products. In the opinion of the directors of the Company (the "Directors"), the ultimate holding company is China Non-ferrous Metal Mining (Group) Co., Ltd., a company incorporated with limited liability under the laws of the PRC.

The functional currency of the companies comprising the Group is Renminbi ("RMB"), except for the Company's functional currency in Hong Kong Dollar ("HK$"), and these consolidated financial statements have been presented in RMB.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

On 7 March 2012, the Group acquired the entire issued share capital of Prosper Well Group Limited ("Prosper Well", a company incorporated in British Virgin Islands ("BVI") with limited liability) from China Times Development Limited ("China Times"), and China Cinda (HK) Asset Management Co., Limited ("Cinda HK") by the allotment and issue of 10,799,762,092 and 936,953,542 ordinary shares of the Company with nominal value of HK$0.05 each (collectively referred to as the "Consideration Shares") to China Times and Cinda HK, respectively, as well as the issue of HK$1,003,836,048 zero coupon convertible note to China Times (the "Transaction").

Prosper Well and its subsidiaries (the "Prosper Well Group") are principally engaged in mining and processing of mineral ores and selling/trading of metal products in the PRC. The details of the Transaction are set out in the Company's circular dated 29 December 2011 and the Company's supplemental circular dated 17 February 2012.

The Transaction

The Transaction has been accounted for as a reverse acquisition under Hong Kong Financial Reporting Standard 3 (Revised 2008) Business Combination ("HKFRS 3 (Revised 2008)") because the issuance of the Consideration Shares and the convertible note in exchange of the entire shareholding in Prosper Well resulted in China Times, previously holding 20.8% shareholding in the Company, becoming the controlling shareholder of the Company holding 69.04% equity interests upon completion of the Transaction. For accounting purpose, the Company (together with its subsidiaries before the completion of the Transaction, collectively referred as the "Existing Group") is deemed to have been acquired by Prosper Well which is deemed as the accounting acquirer. These consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the Prosper Well Group and accordingly:

(i) The assets and liabilities of the Prosper Well Group are recognised and measured at their carrying amounts; and

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

The Transaction *(Continued)*

(ii) The identified assets and liabilities of the Existing Group are recognised and measured initially at their fair value in accordance with the HKFRS 3 (Revised 2008).

In preparing these consolidated financial statements, the Prosper Well Group has applied the acquisition method to account for the acquisition of the Existing Group. In applying the acquisition method, the consideration deemed to be given by Prosper Well was HK$2,775,156,000 (equivalent to approximately RMB2,259,809,000), which is the sum of (i) the deemed consideration of HK$2,711,730,000 (equivalent to approximately RMB2,208,161,000) (calculated based on the market price of HK$0.485 each of the Company's 5,591,195,552 ordinary shares in issue on 7 March 2012 immediately before the completion of the Transaction); and (ii) the fair value of Company's share options outstanding on 7 March 2012 immediately before the completion of the Transaction classified as equity of HK$63,426,000 (equivalent to approximately RMB51,648,000) (collectively referred to as the "Deemed Consideration"). The separately identifiable assets and liabilities of the Existing Group were recorded in the consolidated statement of financial position at their fair value upon the completion date of the Transaction. Goodwill arising on the acquisition of the Existing Group of approximately RMB1,961,656,000, being the excess of the Deemed Consideration over the identifiable assets and liabilities of the Existing Group upon the completion date of the Transaction, was recorded. The results of the Existing Group have been consolidated to the Company's consolidated financial statements since the completion date of the Transaction. Further details of the Transaction are set out in note 39(a) to the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED/AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised HKFRSs

The Group has applied the following new and revised/amended HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

In addition, the Group has early adopted the Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* in the current year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. APPLICATION OF NEW AND REVISED/AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Application of new and revised/amended HKFRSs *(Continued)*

Except as described below, the application of the new and revised/amended HKFRSs 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 these consolidated financial statements.

Impact of the early application of amendments to HKAS 36

As a consequence of issuing HKFRS 13 in 2011, some of the disclosure requirements in HKAS 36, including the recoverable amount disclosures for non-financial assets were amended. In June 2013, HKICPA issued further amendments to HKAS 36, in particular, relating to the recoverable amount disclosures for non-financial assets which will become effective for the annual periods beginning on or after 1 January 2014. After evaluating both amendments, the directors of the Company (the "Directors") decided to early adopt the latest amendments to HKAS 36. The application of the amendments to HKAS 36 does not result in any impact on the amounts reported in these consolidated financial statements. The disclosure of recoverable amounts for non-financial assets has been prepared in accordance with these latest amendments to HKAS 36.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation — Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether the introduction of the new definition of control under HKFRS 10 has resulted in a change of control over the existing entities treated as subsidiaries of the Company. Previously, the Directors concluded that the Group has control over the existing subsidiaries because the Group has power to govern the financial and operating policies of these subsidiaries so as to obtain benefits from their activities. The power existed because the Group owned more than half of the voting power by virtue of these subsidiaries, and/or has power to cast majority votes at the board of directors meeting. Additionally, the Group has the power over these entities including but not limited to power to appoint, reassign, and remove the key management personnel such as executive director of an entity, who has ability to direct relevant activities of that entity which include primarily the sale and purchase, working capital, investments and financing activities.

Accordingly, the Directors concluded that the adoption of HKFRS 10 has had no material impact on the Group's consolidated financial statements for the current or prior years because the Group's control over the existing subsidiaries remained unchanged in accordance with the new definition of control under HKFRS 10.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in notes 21 and 46 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. APPLICATION OF NEW AND REVISED/AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Application of new and revised/amended HKFRSs *(Continued)*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC)-Int 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("mining infrastructure and property") when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. In the previous years, the Group's accounting treatment for the stripping costs is consistent with the requirements under HK(IFRIC)-Int 20.

Accordingly, the adoption of HK(IFRIC)-Int 20 has had no material impact on the Group's consolidated financial statements for the current and prior year.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Other than the above mentioned name change, the application of the amendments to HKAS 1 has not resulted in any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. APPLICATION OF NEW AND REVISED/AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Application of new and revised/amended HKFRSs *(Continued)*

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 *Employee Benefits (as revised in 2011)* and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a "net interest" amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. APPLICATION OF NEW AND REVISED/AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 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, HKFRS 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 HKAS 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.

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 are in the process of assessing the impact of the adoption of HKFRS 9 in the future.

The Directors do not anticipate the application of the other new and revised HKFRSs issued but not yet effective will have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in joint ventures *(Continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS *36 Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) is stated in the consolidated statement of financial position at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of mining infrastructure and property is calculated using the units-of-production method based on the estimated proven and probable mineral reserves unless their useful life is less than that of the mine.

All other items of mining related property are depreciated over the shorter of the asset's useful life of 5 to 40 years on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Depreciation for other property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 to 40 years
Plant and machinery	12 to 20 years
Motor vehicles	8 to 12 years
Electricity equipment and others	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains (losses), net" in the consolidated statement of profit or loss and other comprehensive income.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

Exploration and evaluation expenditures

The Group capitalises only expenditures directly attributable to exploration and evaluation activities, including acquisition of exploration or mining rights, topographical and geological studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource during exploration and evaluation phase related to a specific area of interest to the extent that the Group's right to tenure of the area of interest is current.

Details of these capitalised expenditures are set out in note 17.

All other exploration and evaluation expenditures are charged to profit or loss as incurred.

These capitalised expenditures are stated at cost less impairment and are presented within non-current assets as "exploration and evaluation assets" on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation expenditures *(Continued)*

A "feasibility study" consists of a comprehensive study of the viability of a mineral project that has advanced to a phase where the mining method has established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering and operating economic factors, and the evaluation of other relevant factors. The feasibility study allows the Group to conclude whether it is demonstrable that it will obtain future economic benefits from the expenditures.

Once the final feasibility study has been completed and a development decision has been taken, accumulated capitalised exploration and evaluation expenditures in respect of an area of interest are transferred to non-current assets as either "Intangible assets" for the exploration and mining rights or "Property, plant and equipment", as appropriate. In circumstances when an area of interest is abandoned or management decides it is not commercially viable, any accumulated costs in respect of that area are written off in the period the decision is made.

Capitalised exploration and evaluation expenditures are assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation expenditure may exceed its recoverable amount. Once a development decision has been taken, the capitalised expenditures are also assessed for impairment before reclassification. An impairment test is performed if any of the following indicators are present:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purposes of assessing impairment, the capitalised exploration and evaluation expenditures subject to testing are grouped with other operating assets located in the same geographical region as one cash generating unit.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for mining rights is provided on a straight-line basis over their respective licence periods of 3 to 23 years. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for mining rights is provided on a straight-line basis over their respective licence periods.

Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 years.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Mine rehabilitation, restoration and dismantling

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or production facilities. These costs, as discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to profit or loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in profit or loss.

Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and capitalised in the cost of inventory as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Research costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets of the Group are classified into the following specified categories: "financial assets at fair value through profit or loss" (FVTPL), "available-for-sale" ("AFS") financial assets" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL and AFS financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains (losses), net" line item in the consolidated statement of profit or loss and other comprehensive income.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial assets revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade, bills and notes receivables, other receivables, restricted deposits and bank balances, bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade, bills and notes receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amounts of trade, bills and notes receivables and other receivables are reduced through the use of an allowance account. When a trade, bills and notes receivables or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise derivative that is not designated and effective as a hedging instrument and cumulative redeemable preference shares.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank and other borrowings (other than gold loans)) are subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Convertible notes/bonds

Convertible notes/bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds or fair value of the convertible notes/bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes/bonds into equity, is included in equity (convertible notes/bonds equity reserve).

In subsequent periods, the liability component of the convertible notes/bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes/bonds equity reserve until the option is exercised (in which case the balance stated in convertible notes/bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes/bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

If the conversion option of convertible notes/bonds will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the ordinary shares of the Company and exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component and the liability component of the convertible notes/bonds are measured at fair value.

Transaction costs that relate to the issue of the convertible notes/bonds are allocated to the liability and equity/derivative components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes/bonds using the effective interest method. Transaction costs relating to the derivative component is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Group designates certain derivatives as hedges of the fair value of recognised assets (fair value hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 41. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging commodity price risk on inventories. When an inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the inventory attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, when the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a straight-line basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Gold loans

The gold loans are measured at the fair value of gold bullion borrowed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Cost of inventories also includes gains and losses on qualifying fair value hedge in respect of inventories designated as hedged items. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

For certain copper cathodes sales of the Group, the sales price is determined on a provisional basis at the date of sale, as the final selling price is subject to the movements in market price up to the date of final pricing. Revenue on provisionally priced sales is recognised based on the grades of copper and the fair value of the total consideration receivable. The revenue adjustment mechanism embedded within provisionally priced sales agreement has the character of a commodity derivative. Accordingly, the fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised in profit or loss. In all cases, fair value is estimated by reference to forward market prices.

(b) Rendering of services

The Group provided copper processing services. Service income is recognised when services are provided.

(c) Interest income

Interest income is recognised using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Employees benefits

Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

Moreover, the Group's contributions to the defined contribution retirement scheme set up pursuant to the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPF" Scheme) for all qualifying employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Early retirement obligation

Early retirement are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises early retirement at the earlier of when the Group can no longer withdraw the offer of the early retirement benefit and when it recognises any related restructuring costs. The early retirement is offered for a clearly defined period and once the termination plan is confirmed by the employee and the Group, there is no possibility of new participant. Benefits falling due more than 12 months after the end of reporting period are discounted to present value using the projected unit credit actuarial valuation method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employees benefits *(Continued)*

Other social insurance and housing funds

The Group provides other social insurance and housing funds to the qualified employees in the PRC based on certain percentages of their salaries. These percentages are not to exceed the upper limits of the percentages prescribed by Ministry of Human Resources and Social Security of the PRC. These benefits are paid to social security organisation and the amounts are expensed as incurred. The Group has no legal or constructive obligations for further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to their current and past services.

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities for the next twelve months.

i. Impairment of non-financial assets other than goodwill

Non-current assets include property, plant and equipment, prepaid lease payments, mining rights and other intangible assets, which are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses, and deposits for acquisition of intangible assets and property, plant and equipment and exploration and evaluation assets that are stated at cost less impairment loss, if any. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset's value or such event affecting the asset's value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

ii. Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgements in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, facts and circumstances change and new information becomes available suggesting that the recoverable amounts of capitalised expenditures are less than its carrying amounts, the amount capitalised is written off in profit or loss in the period when the new information becomes available. The carrying amount of exploration and evaluation assets at the end of reporting period was detailed in note 17.

iii. Revenue recognition

Certain copper cathodes of the Group are sold under provisionally priced sales agreement where the final selling price is subject to the movements in market price up to the date of final pricing. Revenue is recognised when title and risk pass to the customer using history of grades of copper and the fair value of the total consideration receivable. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in copper market prices result in the existence of an embedded derivative in the trade receivables. This embedded derivative is recorded at fair value, with changes in fair value is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

iv. Income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the accounting period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

v. Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related depreciation rate of mining infrastructure and property. The carrying amount of mining infrastructure and property and the related depreciation was detailed in note 16.

vi. Mine rehabilitation, restoration and dismantling obligations

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues.

These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

vii. Early retirement obligation

The Group establishes liabilities in connection with benefits paid to certain early retired employees. The amounts of employee benefit expenses and liabilities are determined using actuarial valuations, which are calculated by independent valuation professionals who conduct assessment of the actuarial position of the Group's retirement plans. These actuarial valuations involve making assumptions on discount rates, benefit inflation rates, and other factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Actual results that differ from the assumptions are recognised immediately and therefore, affect recognised expenses in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the expenses related to the early retirement obligation.

6. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and serviced rendered, after sales related tax, for the year.

An analysis of the Group's revenue for the year is as follows:

	2013 ***RMB'000***	2012 *RMB'000*
Revenue from sale of goods	**43,543,030**	28,711,872
Revenue from the rendering of services	**55,422**	166,251
	43,598,452	28,878,123

7. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

As the Group is mainly involved in exploration of mineral resources, the Group has one reportable operating segment, being production and sale of copper and other related products. No operating segment information is presented other than entity-wide disclosures. The chief executive officer of the Company reviewed the consolidated financial statements of the Group prepared in accordance with HKFRSs as a whole.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue by major product and service categories:

	2013	2012
	RMB'000	*RMB'000*
Sales of goods		
— copper cathodes	**27,384,402**	20,091,529
— other copper products	**2,149,000**	588,689
— gold and other gold products	**5,258,387**	4,862,223
— silver and other silver products	**2,357,760**	2,514,869
— sulphuric acid and sulphuric concentrate	**143,668**	226,041
— iron ores	**231,534**	232,107
— others	**6,018,279**	196,414
	43,543,030	28,711,872
Rendering of services		
— copper processing	**45,039**	152,709
— others	**10,383**	13,542
	55,422	166,251
Total revenue	**43,598,452**	28,878,123

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group operates in three principal geographical areas — the PRC, Hong Kong and The Republic of Mongolia ("Mongolia").

The Group's revenue from external customers by location of operations and information about its non-current assets (excluding deferred tax assets and restricted bank deposits) by location of assets are detailed below:

	Revenue from external customers For the year ended 31 December		Non-current assets At 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**42,517,668**	28,420,543	**7,996,564**	9,689,568
Hong Kong	**1,080,784**	457,580	**650,729**	937
Mongolia	**–**	–	**529**	687
	43,598,452	28,878,123	**8,647,822**	9,691,192

Information about major customers

Details of customers who accounted for 10% or more of total consolidated revenue are as follows:

	2013	2012
	RMB'000	*RMB'000*
Percentage to consolidated revenue		
— Customer A	**11.9%**	16.5%

8. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Interest income on bank deposits	**47,574**	30,110
Value-added tax refund	**9,400**	16,411
Government grants received *(Note)*	**11,633**	26,275
Deferred income recognised *(Note 35)*	**9,845**	10,216
	78,452	83,012

Note: The government grants mainly represented subsidies for imported copper ores and refunds of river mention maintenance fees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. OTHER GAINS (LOSSES), NET

	2013 RMB'000	2012 RMB'000
Losses on disposal of property, plant and equipment, net	(10,623)	(3,149)
Gain on disposal of subsidiaries *(Note 39(c))*	42,072	–
Impairment of mining right *(Note 19)*	(186,183)	–
Fair value changes (transactions not qualified as fair value hedges) from:		
— Commodity derivatives contracts	(113,268)	25,077
— Currency forward contracts	(10,034)	4,620
— Gold loans designated as financial liabilities at fair value through profit or loss	127,485	3,114
— Provisionally priced sales agreement	(8,650)	(626)
Fair value changes (transactions qualified as fair value hedges) from:		
— Inventory hedged by commodity futures contracts	8,464	(1,085)
— Fair value gains of commodity futures contracts designated as hedging instrument	(8,464)	1,187
Gain on derivative component on convertible notes/bonds *(Note 34(a) and (c))*	38,440	12,271
Effect of maturity date extension of convertible notes *(Note 34(a))*	–	4,980
Exchange gains, net	89,532	25,403
(Allowance for) reversal of impairment of:		
— trade receivables *(Note 25)*	(53)	(705)
— other receivables *(Note 26)*	(7,752)	6,875
Reversal of provision upon obligation discharged *(Note 32(b))*	90,976	–
Others	4,550	8,279
	56,492	86,241

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

10. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on bank and other borrowings:		
— wholly repayable within five years	**(366,740)**	(224,353)
— wholly repayable beyond five years	**(5,865)**	(7,466)
— Interest on loans from Daye Non-Ferrous Metals Corporation Holdings Limited ("Daye Corporation"), an intermediate holding company of the Company	**(70,358)**	(106,173)
Interest expenses on convertible notes/bonds *(Note 34(a), (b) and (c))*	**(108,061)**	(55,659)
Unwind interest of provisions *(Note 32(a) and (b))*	**(6,422)**	(6,892)
Unwind interest of early retirement obligation *(Note 36)*	**(1,620)**	(2,080)
Total borrowing costs	**(559,066)**	(402,623)
Less: Borrowing costs capitalised in construction in progress	**22,265**	34,523
	(536,801)	(368,100)
The weighted average capitalisation rate on funds borrowed, generally (per annum)	**5.43%**	4.45%

11. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
PRC Enterprise Income Tax	**(115)**	(9,417)
Deferred income tax *(Note 22)*	**(30,274)**	(8,574)
	(30,389)	(17,991)

No provision for Hong Kong profits tax has been made as the Group has no assessable profit generated in Hong Kong for both years. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group was 25% for both years.

Notes to the Consolidated Financial Statements

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11. INCOME TAX EXPENSE *(Continued)*

Income tax expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
(Loss) profit before tax	**(1,937,336)**	181,643
Tax at applicable income tax rate of 25%	**484,334**	(45,411)
Effect of tax concession *(Note (i))*	**1,028**	4,670
Income not subject to tax *(Note (ii))*	**38,312**	43,440
Expenses not deductible for tax purposes	**(4,096)**	(12,093)
Tax losses not recognised	**(8,585)**	(7,426)
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**(4,423)**	(1,171)
Effect of goodwill impairment	**(490,414)**	–
Effect of mining rights impairment	**(46,545)**	–
Income tax expense for the year	**(30,389)**	(17,991)
Effective tax rate	**(1.57%)**	9.90%

Notes:

(i) In accordance with Article 100 of the Regulations on the Implementation of EIT Law of the PRC, where an enterprise purchases and actually utilises any of the special purpose equipment related to environmental protection, energy and water conservation and work safety prescribed in the Catalogue of Preferential Enterprise Income Tax Treatments for Environmental Protection Equipment, the Catalogue of Preferential Enterprise Income Tax Treatments for Equipment specially for Energy and Water Conservation, and the Catalogue of Preferential Enterprise Income Tax Treatments for Work Safety Equipment, 10% of the investment in the special-purpose equipment may be offset against its tax payable for the current year; where the tax payable is insufficient for the credit, the excess may be carried forward for credit in the following five taxable years.

(ii) Income not subject to tax mainly represents exempted income from the Group's sales of metal products produced using prescribed resources, including silver and vitriol, pursuant to the Article 33 of the EIT Law and the Article 99 of the PRC EIT Detailed Implementation Regulations. According to these tax regulations, 10% of the income derived from the sales of particular products can be deducted from taxable income of an entity if it utilises certain prescribed resources, that are not restricted or prohibited by the PRC government and satisfy the relevant State and industrial criteria, as the major materials in the production of those products.

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12. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging/(crediting):

	2013	2012
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**439,970**	341,699
Amortisation of intangible assets	**28,639**	29,205
Amortisation of prepaid lease payments	**20,299**	20,503
Auditor's remuneration	**3,329**	4,120
Staff costs:		
Salaries, wages and welfare (including directors' remuneration as disclosed in note 13 to the extent since the completion of the Transaction)	**591,904**	451,818
Retirement benefit schemes contributions	**145,310**	170,957
Total staff costs	**737,214**	622,775
Cost of inventories recognised as an expense	**42,654,791**	27,856,674
Research costs	**8,829**	12,496
Donations	**274**	2,500
Minimum lease payments in respect of land and buildings	**18,560**	18,500

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13. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the Directors for the year are as follows:

		Other emoluments			
	Fees *RMB'000*	Salaries and other allowances *RMB'000*	Employee share option benefits *RMB'000*	Retirement benefit scheme contribution *RMB'000*	Total *RMB'000*
2012					
Executive Directors					
Mr. Zhang Lin *(Note (b))*	–	554	–	166	720
Mr. Long Zhong Sheng *(Note (b), (c))*	1,087	1,234	–	39	2,360
Mr. Zhai Baojin *(Note (b))*	–	554	–	166	720
Mr. Tan Yaoyu *(Note (b))*	–	398	–	124	522
Mr. Wan Bi Qi	1,155	1,008	–	–	2,163
Mr. Chen Xiang *(Note (a))*	98	90	–	–	188
Ms. Yuan Ping *(Note (d))*	98	98	–	–	196
Independent Non-executive Directors					
Mr. Wang Guoqi	41	–	–	–	41
Mr. Wang Qihong	41	–	–	–	41
Mr. Qiu Guanzhou	41	–	–	–	41
	2,561	3,936	–	495	6,992
2013					
Executive Directors					
Mr. Zhang Lin	**–**	**757**	**–**	**28**	**785**
Mr. Long Zhong Sheng *(Note (c))*	**1,739**	**281**	**–**	**28**	**2,048**
Mr. Zhai Baojin	**–**	**757**	**–**	**28**	**785**
Mr. Tan Yaoyu	**–**	**568**	**–**	**28**	**596**
Mr. Wan Bi Qi *(Note (e))*	**712**	**–**	**–**	**9**	**721**
Independent Non-executive Directors					
Mr. Wang Guoqi	**80**	**–**	**–**	**–**	**80**
Mr. Wang Qihong	**80**	**–**	**–**	**–**	**80**
Mr. Qiu Guanzhou	**80**	**–**	**–**	**–**	**80**
	2,691	**2,363**	**–**	**121**	**5,175**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

13. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors *(Continued)*

Notes:

(a) Mr. Chen Xiang was the Chief Executive Officer of the Company before his resignation as an executive Director on 22 March 2012. His emoluments disclosed above include those for services rendered by him as the Chief Executive Officer before 22 March 2012.

(b) Mr. Zhang Lin, Mr. Long Zhong Sheng, Mr. Zhai Baojin and Mr. Tan Yaoyu were appointed as executive Directors on 22 March 2012.

(c) Mr. Long Zhong Sheng was the Chief Executive Officer of the Company since 22 March 2012. His emoluments disclosed above include those for services rendered by him as the Chief Executive Officer from 22 March 2012.

(d) Ms. Yuan Ping resigned as an executive Director on 22 March 2012.

(e) Mr. Wan Bi Qi resigned as an executive Director on 20 May 2013.

Employees

Of the five individuals with the highest emoluments in the Group, three (2012: two) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2012: three) individuals were as follows:

	2013	2012
	RMB'000	*RMB'000*
Salaries and other allowances	**2,318**	4,500
Retirement benefit schemes contributions	**126**	28
	2,444	4,528

The emoluments of the above employees were within the following bands:

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**2**	3

For both years, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

14. DIVIDENDS

No dividend in respect of ordinary shares has been paid or declared by the Company for both years.

During the year, the Company accrued dividends of approximately RMB4,000 (2012: RMB4,000) on its 16,485 cumulative redeemable preference shares. Such accrued dividends are included in finance costs of the Group.

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary shareholders of the Company is based on the following data:

	2013	2012
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) earnings for the purpose of basic earnings per share ((Loss) profit for the year attributable to owners of the Company)	**(1,949,229)**	157,176
Effect of dilutive potential ordinary shares:		
— HK$220,000,000 1% convertible notes		
• Interest expenses		12,180
• Effect on maturity date extension		(4,980)
• Gain on derivative component		(12,271)
— Dividends on cumulative redeemable preference shares		4
(Loss) earnings for the purpose of diluted earnings per share	**N/A**	152,109
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**17,327,911**	16,319,663
Effect of dilutive potential ordinary shares:		
— HK$220,000,000 1% convertible notes		240,416
— Cumulative redeemable preference shares		1,877
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**N/A**	16,561,956

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15. (LOSS) EARNINGS PER SHARE *(Continued)*

The weighted average number of shares used for the purpose of calculating basic earnings per share for the year ended 31 December 2012 is determined by reference to the pre-combination capital of the Prosper Well multiplied by the exchange ratio established in the Transaction and the weighted average total actual shares of the Company in issue after the completion of the Transaction.

The computation of diluted earnings per share for the year ended 31 December 2012 does not assume the conversion of the Company's outstanding HK$1,003,836,048 zero coupon convertible note since its exercise would result in an increase in earnings per share for the year ended 31 December 2012.

The computation of diluted loss per share for the year ended 31 December 2013 does not assume the conversion of the Company's outstanding HK$220,000,000 1% convertible notes, HK$1,003,836,048 zero coupon convertible note, cumulative redeemable preference shares and RMB820,000,000 0.5% convertible bonds since their exercise would result in a reduction in loss per share for the year ended 31 December 2013.

The computation of diluted (loss) earnings per share for the year ended 31 December 2013 and 2012, respectively, does not assume the exercise of the Company's options because the exercise price of those options was higher than the market prices of the Company's ordinary shares for these years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Mining infrastructure and property *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Electricity equipment and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:							
At 1 January 2012	2,252,615	960,649	2,048,934	100,407	38,126	746,745	6,147,476
Additions	30,865	–	529,952	44,362	402	1,119,945	1,725,526
Arising from the Transaction *(Note 39(a))*	7,595	–	4,741	1,659	1,988	72,483	88,466
Arising from the acquisition of assets through acquisition of a subsidiary *(Note 39(b))*	253	–	–	117	51	–	421
Transfer from construction in progress	842,438	10,158	53,927	–	17,215	(923,738)	–
Disposals	(2,748)	–	(22,015)	(1,799)	(1,623)	–	(28,185)
Exchange realignment	(17)	–	(78)	(164)	(38)	–	(297)
At 31 December 2012	3,131,001	970,807	2,615,461	144,582	56,121	1,015,435	7,933,407
Additions	31,035	850	183,675	9,673	1,816	1,245,846	1,472,895
Transfer from construction in progress	359,377	61,241	124,553	–	–	(545,171)	–
Disposals	(17,918)	–	(42,788)	(4,613)	(1,491)	–	(66,810)
At 31 December 2013	3,503,495	1,032,898	2,880,901	149,642	56,446	1,716,110	9,339,492
Accumulated depreciation:							
At 1 January 2012	(698,606)	(257,184)	(982,251)	(44,885)	(13,977)	–	(1,996,903)
Depreciation	(123,104)	(55,390)	(149,769)	(10,657)	(2,779)	–	(341,699)
Disposals	1,920	–	20,725	1,727	207	–	24,579
Exchange realignment	4	–	11	62	18	–	95
At 31 December 2012	(819,786)	(312,574)	(1,111,284)	(53,753)	(16,531)	–	(2,313,928)
Depreciation	(182,987)	(55,618)	(184,272)	(14,492)	(2,601)	–	(439,970)
Disposals	15,088	–	34,765	4,384	678	–	54,915
At 31 December 2013	(987,685)	(368,192)	(1,260,791)	(63,861)	(18,454)	–	(2,698,983)
Carrying amounts:							
At 31 December 2013	2,515,810	664,706	1,620,110	85,781	37,992	1,716,110	6,640,509
At 31 December 2012	2,311,215	658,233	1,504,177	90,829	39,590	1,015,435	5,619,479

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

17. EXPLORATION AND EVALUATION ASSETS

	RMB'000
At 1 January 2012	63,091
Additions	9,331
Arising from acquisition of assets through acquisition of a subsidiary *(Note 39(b))*	17,818
At 31 December 2012	90,240
Additions	70,783
At 31 December 2013	161,023

The exploration and evaluation expenditures of the Group mainly represented the capitalised costs incurred during the evaluation phase for the construction-in-progress of mine structures, plant and machinery for which the installation or modification have not yet been completed and exploratory drilling and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resource with respect to the mines located in Hubei Province and Xinjiang Uygur Autonomous Region in the PRC.

During the year ended 31 December 2013, there have been no changes in facts and circumstances that the carrying amount of the exploration and evaluation expenditures may not be recoverable and hence a full impairment review is not required. The capitalised expenditures would be assessed for impairment before reclassifying to property, plant and equipment and mining rights, as appropriate.

Notes to the Consolidated Financial Statements

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18. PREPAID LEASE PAYMENTS

	RMB'000
Cost:	
At 1 January 2012	875,161
Arising from the Transaction *(Note 39(a))*	1,396
Additions	1,308
Disposal	(4,300)
At 31 December 2012	873,565
Additions	–
At 31 December 2013	873,565
Accumulated amortisation:	
At 1 January 2012	(93,570)
Amortisation	(20,503)
At 31 December 2012	(114,073)
Amortisation	(20,299)
At 31 December 2013	(134,372)
Carrying amounts:	
At 31 December 2013	739,193
At 31 December 2012	759,492

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Analysed as:		
Current assets	**20,299**	20,510
Non-current assets	**718,894**	738,982
	739,193	759,492

The prepared lease payments comprise land in the PRC under medium term lease.

Notes to the Consolidated Financial Statements

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19. INTANGIBLE ASSETS

	Mining rights *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2012	603,002	8,620	611,622
Additions	–	1,767	1,767
Arising from the Transaction *(Note 39(a))*	376,000	–	376,000
Arising from acquisition of assets through acquisition of a subsidiary *(Note 39(b))*	242,810	–	242,810
At 31 December 2012	1,221,812	10,387	1,232,199
Adjustment *(Note (a))*	(26,080)	–	(26,080)
Additions	–	774	774
Disposal	–	(276)	(276)
At 31 December 2013	1,195,732	10,885	1,206,617
Accumulated amortization and impairment:			
At 1 January 2012	(44,488)	(2,111)	(46,599)
Amortisation	(27,497)	(1,708)	(29,205)
At 31 December 2012	(71,985)	(3,819)	(75,804)
Amortisation	(27,497)	(1,142)	(28,639)
Impairment *(Note (b))*	(186,183)	–	(186,183)
Disposal	–	276	276
At 31 December 2013	(285,665)	(4,685)	(290,350)
Carrying amounts:			
At 31 December 2013	910,067	6,200	916,267
At 31 December 2012	1,149,827	6,568	1,156,395

Notes:

(a) On 28 October 2013, both the Group and the Vendor (as defined in note 23) confirmed that the Vendor should pay RMB26,080,000 to the Group as an adjustment to the Tong Xing Consideration (as defined in note 39(b)) for the expenses paid by the Group in connection with obtaining the relevant mining right and the carrying amount of the mining right is adjusted accordingly.

(b) As at 31 December 2013, the impairment for mining right was made in relation to the Group's copper mine held by 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited) ("Tong Xing"), a subsidiary of the Company, in Xinjiang Uygur Autonomous Region in view of the unfavourable future prospect of the copper mine due to the forecasted fall of selling price of their copper products and expected decrease in profit margins as a result of the slowdown of the global economy.

The impairment loss was provided based on value in use calculations, which use cash flow projections based on financial budgets covering an 18-year period, taken into account of the most recent copper price, approved by the Directors over the life of the relevant copper mines and at a discount rate of 17% (2012: 16%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

19. INTANGIBLE ASSETS *(Continued)*

The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

20. GOODWILL

The amount represents goodwill arising from the Transaction as disclosed in note 2. The Directors consider the Company and its subsidiaries upon completion of the Transaction as a whole would benefit from the synergies of the Transaction. Therefore, goodwill is allocated to one cash generating unit, being the Group after the completion of the Transaction, which also represents the single operating segment of the Group as disclosed in note 7 and they would be under one operating segment.

In June 2013, the Directors decided that full impairment for the goodwill of RMB1,961,656,000 be charged to the consolidated statement of profit or loss and other comprehensive income in the current year due to the unfavourable future prospect of the business of the Group due to the forecasted fall of selling price of the Group's products and expected decrease in profit margins as a result of the slowdown of the global economy.

The impairment loss was provided based on value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period and a discount rate of 18.18% (2012: 17.11%). Cash flow projections during the budget period are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% per annum (2012: 3% per annum) growth rate which is the projected long-term average growth rate for the industry.

21. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Cost of investments in joint ventures, unlisted	**64,702**	–
Share of profit or loss and other comprehensive income after disposal *(Note)*	**–**	–
	64,702	–

Note: On 27 December 2013, the Group entered into sale agreements to dispose of certain subsidiaries as detailed in Note 39(c).

Notes to the Consolidated Financial Statements

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21. INTERESTS IN JOINT VENTURES *(Continued)*

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activity
Jetlight Investment Ltd. ("Jetlight")	Incorporated	BVI	Hong Kong	Ordinary	95%	* 50%	Investment holding
Shinemax Group Ltd. ("Shinemax")	Incorporated	BVI	Hong Kong	Ordinary	95%	* 50%	Investment holding
China Daye Hong Kong Investment Limited ("China Daye HK")	Incorporated	Hong Kong	Hong Kong	Ordinary	95%	* 50%	Trading
China National Resources Investment Limited ("China National Resources")	Incorporated	Hong Kong	Hong Kong	Ordinary	95%	* 50%	Investment holding
China National Recycling Int'l Trading Limited ("China National Recycling")	Incorporated	Hong Kong	Hong Kong	Ordinary	95%	* 50%	Investment holding
Keytrade Investments Ltd. ("Keytrade")	Incorporated	BVI	Hong Kong	Ordinary	95%	* 50%	Trading
Shenzhen Rainbow Nonferrous Metals Co., Ltd. ("Shenzhen Rainbow")	Incorporated	PRC	PRC	Registered capital	95%	* 50%	Investment holding and trading of metals and minerals

* Pursuant to the relevant shareholders' agreement, resolutions of shareholders' meetings and directors' meetings require unanimous consent of the Company and the another shareholder of these companies.

Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

Notes to the Consolidated Financial Statements

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21. INTERESTS IN JOINT VENTURES *(Continued)*

Summarised financial information of material joint ventures *(Continued)*

The joint ventures are accounted for using the equity method in these consolidated financial statements.

As at 31 December 2013

	China Daye HK *RMB'000*	**Shenzhen Rainbow** *RMB'000*
Current assets	6,148,548	6,085,045
Non-current assets	–	–
Current liabilities	(6,140,463)	(6,025,030)
Non-current liabilities	–	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	76,763	14,508
Current financial liabilities (excluding trade and other payables and provisions)	(5,461,839)	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–

For the period from date of acquisition to 31 December 2013

	China Daye HK *RMB'000*	**Shenzhen Rainbow** *RMB'000*
Revenue	–	–
Profit and total comprehensive income for the year	–	–
The above profit for the year include the following:		
Depreciation and amortisation	–	–
Interest income	–	–
Income tax expense	–	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the above companies recognised in the consolidated financial statements:

	China Daye HK *RMB'000*	**Shenzhen Rainbow** *RMB'000*
Net assets	8,085	60,015
Proportion of the Group's ownership interest	95%	95%
Carrying amount of the Group's interest	7,681	57,014

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22. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Deferred tax assets	**76,056**	104,781
Deferred tax liabilities	**(141,675)**	(142,405)
	(65,619)	(37,624)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior years:

	Accrued expenses	Mining rights	Convertible note	Provisions	Early retirement obligation	Impairment losses	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	19,422	–	–	57,440	19,505	10,022	189	13,474	120,052
Arising from the Transaction *(Note 39(a))*	–	(94,000)	–	–	–	–	–	–	(94,000)
Arising from acquisition of assets through acquisition of a subsidiary *(Note 39(b))*	–	–	–	–	–	–	477	–	477
Issue of HK$1,003,836,048 zero coupon convertible note and charged directly to convertible notes equity reserve	–	–	(55,586)	–	–	–	–	–	(55,586)
(Charge)/credit to profit or loss	(8,486)	–	7,174	(2,288)	(4,167)	(1,543)	4,896	(4,160)	(8,574)
Exchange realignment	–	–	7	–	–	–	–	–	7
At 31 December 2012	10,936	(94,000)	(48,405)	55,152	15,338	8,479	5,562	9,314	(37,624)
(Charge)/credit to profit or loss	6,572	–	8,745	(37,682)	(5,372)	5,425	771	(8,733)	(30,274)
Exchange realignment	–	–	2,279	–	–	–	–	–	2,279
At 31 December 2013	17,508	(94,000)	(37,381)	17,470	9,966	13,904	6,333	581	(65,619)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries and a joint venture amounting to RMB837,294,000 as at 31 December 2013 (31 December 2012: RMB658,637,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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22. DEFERRED TAXATION *(Continued)*

As at 31 December 2013, the Group has unused tax losses of RMB64,043,000 (31 December 2012: RMB29,703,000) available for offset against future profits. These unused tax losses as at 31 December 2013 may be carried forward indefinitely. The Group has not recognised deferred tax asset for these unused tax losses as at 31 December 2013 due to the unpredictability of future profit streams (31 December 2012: Nil).

23. DEPOSIT FOR ACQUISITION OF INTANGIBLE ASSETS

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Deposit for acquisition of intangible assets	**31,696**	32,690

As at 31 December 2013, the deposit of RMB31,696,000 (equivalent to HK$40,316,000) comprises cash of HK$21,080,000 and fair value of the third tranche of HK$220,000,000 1% convertible notes with principal amount of HK$21,000,000 estimated on 31 December 2012 of HK$19,236,000 (See Note 34(a)).

In addition to the mining licence in respect of a copper mine located about 115 km southwest of Hami, a city in the eastern part of the Xingjiang Uygur Autonomous Region, the PRC (the "Mine") obtained by Tong Xing in August 2012 pursuant to an agreement dated 14 July 2010 between the Company and Alexis Resources Limited (the "Vendor"), the Company further paid the aforesaid deposit on 31 December 2012 pursuant to a supplementary agreement dated 30 December 2010 entered between the Company and the Vendor for the acquisition of another mining licence in respect of a mining area of approximately 0.4625 square kilometers situated in the east of the Mine (the "New Mining Area").

According to the technical report dated 17 December 2012 issued by Roscoe Postle Associates Inc., a professional geologist appointed by the Vendor, the indicated copper resources in the New Mining Area is 36,400 tonnes. Therefore, pursuant to the supplementary agreement, the consideration of the mining licence in respect of the New Mining Area is determined at HK$84,160,000 (based on the rate of HK$2,312.10 per tonne of copper).

The aforesaid deposit paid by the Company represents 50% of the consideration of the mining licence in respect of the New Mining Area. The Group is applying for the mining licence and the costs associated with the application of the mining licence are borne by the Vendor according to the supplementary agreement. The remainder of the consideration, after deducting the costs so incurred, will be paid to the Vendor upon obtaining the mining licence. In the event the cost of obtaining the mining licence in respect of the New Mining Area exceeds HK$42,080,000, the difference shall be refunded by the Vendor.

Further details of the mining licences in respect of the Mine and the New Mining Area are set out in note 39(b).

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24. INVENTORIES

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Raw materials	**3,420,626**	2,149,063
Work in progress	**1,537,757**	2,010,348
Finished goods	**395,695**	605,090
	5,354,078	4,764,501

25. TRADE, BILLS AND NOTES RECEIVABLES

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**55,246**	258,003
Less: Allowance of doubtful debts	**(4,443)**	(4,722)
	50,803	253,281
Bills receivable:		
— Bills receivable on hand	**304,557**	60,682
— Discounted to banks *(Note 31)*	**–**	21,850
— Endorsed to suppliers	**267,913**	238,015
Notes receivable on hand	**–**	500
Notes receivable discounted to banks *(Note 31)*	**20,000**	60,000
Total trade, bills and notes receivables	**643,273**	634,328

The majority of sales are made under contractual arrangements whereby a significant portion of amount of each sale is received before delivery or promptly after delivery and the remainder is received within 6 months after delivery. The following is an aged analysis of trade receivables, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised, net of allowance for doubtful debts.

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For the year ended 31 December 2013

25. TRADE, BILLS AND NOTES RECEIVABLES *(Continued)*

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables, net		
— Less than 1 year	**50,670**	252,806
— 1–2 years	**133**	311
— 2–3 years	**–**	155
— Over 3 years	**–**	9
	50,803	253,281

The Group's notes receivable represents the commercial acceptance notes issued by third parties. The maturity period of both bills and notes receivable are within 6 months.

Ageing of trade receivables which are past due but not impaired

Included in the Group's trade receivables as at 31 December 2013 are debtors with aggregate carrying amount of RMB6,551,000 (31 December 2012: RMB188,620,000); which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The ageing of these receivables are as follows:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Less than 1 year	**6,418**	188,145
1–2 years	**133**	311
2–3 years	**–**	155
Over 3 years	**–**	9
Total	**6,551**	188,620

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

25. TRADE, BILLS AND NOTES RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts on trade receivables

	RMB'000
At 1 January 2012	4,017
Impairment losses recognised, net *(Note 9)*	705
At 31 December 2012	4,722
Impairment losses recognised, net *(Note 9)*	53
Written-off	(332)
At 31 December 2013	4,443

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB4,443,000 as at 31 December 2013 (31 December 2012: RMB4,722,000) which have either been placed under liquidation or in severe financial difficulties.

Included in the Group's trade receivables are balances with the following related parties:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Fellow subsidiaries	**1,776**	55,434

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

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For the year ended 31 December 2013

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Non-current:		
Deposits for acquisition of property, plant and equipment	**114,731**	91,750
Current:		
Prepayments for inventories	**494,424**	447,909
Value-added tax recoverable	**215,766**	155,803
Consideration receivables *(Note 39(c))*	**2,038**	–
Other receivables	**465,068**	88,951
Less: Provision for impairment	**(36,132)**	(29,194)
	1,141,164	663,469

Movement in the allowance for doubtful debts on other receivables

	RMB'000
At 1 January 2012	36,069
Impairment losses reversed, net *(Note 9)*	(6,875)
At 31 December 2012	29,194
Impairment losses recognised, net *(Note 9)*	7,752
Written-off	(814)
At 31 December 2013	36,132

Notes to the Consolidated Financial Statements

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26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

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

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Prepayments made to		
— Daye Corporation	**89,789**	–
— Fellow subsidiaries	**31,926**	8,136
Other receivables due from		
— Fellow subsidiaries	**9,716**	4,302
— Joint ventures	**383,434**	–

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

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Current Assets At 31 December		Current Liabilities At 31 December	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carried at fair value				
— Copper futures contracts	**2,649**	1,333	**13,521**	146
— Copper option contracts	**–**	–	**7,929**	–
— Gold futures contracts	**1,186**	–	**112,790**	–
— Silver futures contracts	**1,222**	–	**–**	–
— Silver option contracts	**–**	–	**570**	–
— Zinc future contracts	**–**	–	**1,459**	–
— Currency forward contracts	**–**	28	**8,461**	182
— Provisionally priced sales agreement	**–**	–	**9,276**	626
	5,057	1,361	**154,006**	954

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For the year ended 31 December 2013

27. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Contract type

		Buy At 31 December		Sell At 31 December	
		2013	2012	**2013**	2012
Copper futures contracts					
Quantity	(tonnes)	**3,145**	4,110	**13,400**	710
Contract price	(RMB)	**50,680 – 52,510**	56,370 – 57,740	**49,810 – 52,500**	57,390 – 57,250
Copper option contracts					
Quantity	(tonnes)	**–**	–	**6,000**	–
Contract price	(RMB)	**N/A**	N/A	**100 – 545**	N/A
Gold futures contracts					
Quantity	(kg)	**4,580**	–	**91**	–
Contract price	(RMB)	**248,800 – 284,400**	N/A	**269,431**	N/A
Silver futures contracts					
Quantity	(tonnes)	**–**	–	**30,900**	–
Contract price	(RMB)	**N/A**	N/A	**4,043 – 4,272**	N/A
Silver option contracts					
Quantity	(kg)	**–**	–	**768**	–
Contract price	(RMB)	**N/A**	N/A	**515**	N/A
Zinc futures contracts					
Quantity	(kg)	**–**	–	**3,000**	–
Contract price	(RMB)	**N/A**	N/A	**1,988**	N/A
Currency forward contracts					
Currency	(US$'000)	**–**	6,017	**–**	12
Exercise price	(RMB)	**N/A**	6.2465	**N/A**	6.2133

The Group uses commodity derivative contracts to hedge its commodity price risk. Commodity derivative contracts utilised by the Group include standardised copper futures contracts in Shanghai Futures Exchange and others. Besides, the Group also entered into currency forward contracts with certain banks to hedge certain of its currency risk arising from certain of its bank loans denominated in US$.

Notes to the Consolidated Financial Statements

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27. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Contract type *(Continued)*

Under hedge accounting

The Group utilises commodity derivative contracts (copper future contracts) to hedge its exposure to variability in fair value changes attributable to price fluctuation risk associated with inventories, mainly includes copper concentrate, copper cathodes and other copper products. For the purpose of hedge accounting, those hedging transactions of the Group are classified as fair value hedge.

The Group formally designates and documents the hedging relationship at the inception of the hedge, risk management objective and strategy for undertaking the hedges. The fair value hedges of the Group were assessed to be highly effective and qualified for hedge accounting.

Details of the fair value gains/losses of commodity derivative contracts designated as fair value hedges of the Group and the net fair value losses/gains of the hedged items, inventories, attributable to the risk hedged have been disclosed in note 9.

Not under hedge accounting

The Group did not formally designate or document the hedging transactions with respect to the copper option contracts, gold futures contracts, silver futures contracts, silver option contracts, zinc futures contracts and the foreign currency forward contracts. Therefore, those transactions were not qualified for hedge accounting.

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28. BANK DEPOSITS, BANK BALANCES AND CASH

(i) Restricted deposits and balances

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current		
Bank deposits *(Note (a))*	**–**	162,266
Bank balances *(Note (b))*	**7,420**	241,572
Other deposits *(Note (c))*	**294,552**	41,054
	301,972	444,892
Non-current		
Bank deposits (a)	**171,993**	–

Notes:

(a) Bank deposits are pledged to banks as security for certain banking facilities of the Group. The effective interest rates of these bank deposits are as follows:

	At 31 December	
	2013	2012
	%	%
Weighted average effective interest rate (per annum)	**4.08**	3.47

Further details are set out in note 31(a).

(b) Bank balances are held in designated bank accounts as security for the Group's bills payable and letters of credit. Bank balances earn interest at floating rates based on daily bank deposit rates.

(c) Other deposits are held in certain financial institutions and Shanghai Futures Exchange as security for the commodities derivative and currency forward contracts.

(ii) Bank deposits, bank balances and cash

Bank deposits, bank balances carry interest at market rates ranging from 0.4% to 4.13% (2012: 0.4% to 0.5%) per annum at the end of reporting period.

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29. TRADE PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**1,245,292**	1,371,670
More than 1 year, but less than 2 years	**3,371**	4,850
More than 2 years, but less than 3 years	**1,564**	608
Over 3 years	**5,633**	5,993
	1,255,860	1,383,121

The carrying amounts of the Group's trade payables approximate their fair values and are denominated in the following currencies:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
RMB	**805,790**	850,453
US$	**450,070**	532,668
	1,255,860	1,383,121

Included in the Group's trade payables are balances with the following related parties:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Fellow subsidiaries	**22,531**	215,414
Joint ventures	**145,416**	–

The above balances with related parties are unsecured, interest-free and are repayable according to purchase contracts.

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30. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Receipts in advance from customers	**395,002**	59,157
Salaries and welfare payables	**82,104**	55,867
Interest payables	**42,576**	18,687
Current portion of deferred income *(Note 35)*	**12,136**	6,217
Other payables and accruals	**960,687**	655,488
Dividend payable	**8**	4
	1,492,513	795,420

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

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Receipts in advance from customers		
— Fellow subsidiaries	**50,090**	773
— Joint ventures	**315,317**	–
Other payables		
— Daye Corporation	**2,438**	1,169
— Fellow subsidiaries	**100,553**	41,298

The Group's other payables are denominated in RMB and approximate their fair values. Balances with related parties are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

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31. BANK AND OTHER BORROWINGS

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Bank borrowings		
— secured *(Note (a))*	**170,716**	37,713
— unsecured *(Note (b))*	**5,674,337**	5,573,766
Other borrowings		
— Loans from Daye Corporation, unsecured *(Note (c))*	**1,347,878**	2,260,007
— Advance from banks for discounted bills	**–**	21,850
— Advance from banks for discounted notes	**20,000**	60,000
— Gold loans *(Note (d))*	**1,083,677**	–
— Short-term notes *(Note (e))*	**800,000**	–
	9,096,608	7,953,336
Carrying amounts repayable:		
Within one year and on demand	**5,901,963**	4,970,952
More than one year, but not exceeding two years	**1,984,094**	1,249,007
More than two years, but not exceeding five years	**1,113,209**	1,616,500
More than five years	**97,342**	116,877
	9,096,608	7,953,336
Less: Amounts shown under current liabilities	**(5,901,963)**	(4,970,952)
Non-current portion	**3,194,645**	2,982,384
Total borrowings:		
— at fixed rates	**3,882,216**	2,104,720
— at floating rates	**5,214,392**	5,848,616
Analysis of borrowings by type/currency:		
— denominated in RMB	**4,833,580**	5,506,722
— denominated in USD	**3,179,351**	2,436,038
— denominated in HK$	**–**	10,576
— gold loans	**1,083,677**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) As at 31 December 2013, secured bank borrowings of the Group amounting to RMB170,716,000 (31 December 2012: RMB37,713,000) bearing interest rate of 1.67% to 5.60% (31 December 2012: 5.04% to 5.79%) per annum were secured by bank deposits of RMB171,993,000 (31 December 2012: RMB37,713,000).

(b) As at 31 December 2012, included in unsecured bank borrowings of the Group amounting to RMB590,000,000 were guaranteed by Daye Corporation whereas, as at 31 December 2013, none of the unsecured bank borrowings was guaranteed by any guarantee.

(c) The details of unsecured loans from Daye Corporation are as follows:

Interest rate	Terms of repayment	At 31 December 2013 RMB'000	2012 RMB'000
Fixed rate at 4.98% per annum	Repayable on 15 October 2015	**490,000**	490,000
Fixed rate at 4.98% per annum	Repayable on 1 December 2016	**90,000**	90,000
Fixed rate at 5.79% per annum	Repayable on 17 January 2017	**500,000**	500,000
Floating rate quoted by People's Bank of China	Not demand for repayment before 2 January 2014	**–**	1,180,007
Floating rate quoted by People's Bank of China	Not demand for repayment before 2 April 2015	**267,878**	–
		1,347,878	2,260,007

(d) The unrealised gain arising from change in fair value of gold loans designated as financial instruments of RMB127,485,000 has been charged to profit or loss for the year ended 31 December 2013. As at 31 December 2012, the Group did not have any outstanding gold loans.

(e) On 17 May 2013, the Group issued unsecured short-term notes at par value of RMB800,000,000 which bear interest at a fixed rate of 4.44% per annum and have a maturity of 365 days from the date of insurance.

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32. PROVISIONS

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Provision for mine rehabilitation, restoration and dismantling *(Note (a))*	**39,169**	38,028
Employees medical obligation *(Note (b))*	**30,720**	182,581
	69,889	220,609
Analysed as:		
Current	**30,720**	48,642
Non-current	**39,169**	171,967
	69,889	220,609

(a) Provision for mine rehabilitation, restoration and dismantling

	RMB'000
At 1 January 2012	36,921
Interest cost	1,107
At 31 December 2012	38,028
Interest cost	1,141
At 31 December 2013	39,169

Analysed as:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Non-current	**39,169**	38,028

The provision for mine rehabilitation, restoration and dismantling includes the anticipated costs of future rehabilitation, restoration and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification, and permanent storage of historical residues. The discount rate using in determining this provision is 3% (2012: 3%) per annum.

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32. PROVISIONS *(Continued)*

(b) Employees medical obligation

	RMB'000
At 1 January 2012	192,839
Interest cost	5,785
Payments	(16,043)
At 31 December 2012	182,581
Interest cost	5,281
Payments	(66,166)
Reversal upon obligation discharged	(90,976)
At 31 December 2013	30,720

Analysed as:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current	**30,720**	48,642
Non-current	**–**	133,939
	30,720	182,581

This provision represents the anticipated costs of compensation paid to those employees injured at work or suffered occupational disease that do not cover by the external insurance plan as required by the relevant rules and regulation in the PRC. These future cost estimates including reimbursement of medical expenses and other compensation as required by the relevant rules and regulation are discounted to their present value. The discount rate using in determining this provision is 3% (Year ended 31 December 2012: 3%) at the end of the reporting period.

In 2007, management of the Group and the Huangshi Labour and Social Security Bureau reached a mutual confirmation on the details of the transfer of the Group's employees medical obligation to the social security system of Huangshi City (the "Transfer"), including the timing and the settlement principle, when a number of guidance and notices have been issued by Ministry of Labour and Social Security in 2005 and 2007. Due to the time incurred to finish certain government administrative procedures, the Transfer had been delayed. In December 2013, the Group reached a settlement to discharge the Group's employees medical obligation by payments of cash totalling to RMB80,720,000, of which the Group had paid RMB50,000,000 and the remainder will be paid in 2014. Accordingly, the Group revered the provision and credited the profit or loss in the current year.

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33. CUMULATIVE REDEEMABLE PREFERENCE SHARES

As at 31 December 2013, the amount represents fair value of 16,485 cumulative redeemable preference shares ("CPS") outstanding which arose from the Transaction (Note 39(a)). A holder of the CPS is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into ordinary shares of the Company at the conversion price of HK$0.036 per share, subject to adjustment.

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time at the notional value of the CPS if the average of the closing prices of the ordinary share of the Company quoted on the Hong Kong Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

34. CONVERTIBLE NOTES/BONDS

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Liability component:		
HK$220,000,000 1% convertible notes *(Note (a))*	**–**	158,793
HK$1,003,836,048 zero coupon convertible note *(Note (b))*	**562,664**	521,841
RMB820,000,000 0.5% convertible bonds *(Note (c))*	**698,966**	–
	1,261,630	680,634
Derivative component:		
HK$220,000,000 1% convertible notes *(Note (a))*	**–**	4,889
RMB820,000,000 0.5% convertible bonds *(Note (c))*	**92,644**	–
	1,354,274	685,523
Analysed as:		
Current	**–**	163,682
Non-current	**1,354,274**	521,841
	1,354,274	685,523

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34. CONVERTIBLE NOTES/BONDS *(Continued)*

(a) HK$220,000,000 1% convertible notes

The HK$220,000,000 1% convertible notes comprises 3 tranches:

(i) The first tranche

As part of the deposit for acquisition of 100% shareholding in Qianyi Limited as disclosed in note 39(b), the first tranche of convertible notes in the principal sum of HK$110 million was issued by the Company on 22 July 2010 and recognised as its fair value on 7 March 2012 pursuant to the Transaction (see Note 39(a)).

(ii) The second tranche

On 3 August 2012, the Company was informed that the mining license of the Mine has been granted by the Department of Land and Resources of Xinjiang Uygur Autonomous Region, the PRC. Pursuant to the supplemental agreement with the Vendor dated 30 December 2010, the Company delivered the second tranche of convertible notes in the principal sum of HK$89 million to the Vendor on 8 August 2012 (see Note 39(b)).

(iii) The third tranche

On 31 December 2012, as part of the deposit for the acquisition mining licence in respect of the New Mining Area, the Company delivered the third tranche of convertible notes in the principal sum of HK$21 million to the Vendor (see Note 23).

The convertible notes carry coupon interest rate of 1% per annum, which shall be payable by the Company upon redemption of the notes and entitle the holders to convert into ordinary shares of the Company at an initial conversion price of HK$0.618 (subject to adjustments in accordance with the terms of the convertible notes) at any time during the period commencing from the date of issue of convertible notes. The conversion price has been changed from HK$0.618 to HK$0.528 upon completion of the Transaction. Due to the effect of certain adjustments to conversion price, the conversion option may not result in the conversion of the convertible notes into a fixed number of the Company's ordinary shares. Hence, the conversion option is accounted for as a derivative.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible notes at the principal amount together with accrued interest on the maturity date which is the date falling two years after the issue date.

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34. CONVERTIBLE NOTES/BONDS *(Continued)*

(a) HK$220,000,000 1% convertible notes *(Continued)*

Pursuant to the supplemental agreement entered with the Vendor on 30 January 2012, if the Vendor does not exercise the conversion right attached to the convertible notes on or before the maturity date (that is, 22 July 2012) (the "Original Maturity Date"), the Company has the right to choose either:

(i) defer the Company's payment obligation on redemption of the convertible notes at its principal amount together with interest outstanding to 31 October 2013. No interest will be accrued on principal amount together with interest under the convertible notes for the period from 22 July 2012 to 31 October 2013. For the avoidance of doubt, the Vendor cannot exercise the conversion right attached to the convertible notes after 22 July 2012; or

(ii) amend the terms of the convertible notes and extend the maturity date and the conversion period of the convertible notes to 30 June 2013. No interest will be accrued on principal amount together with interest under the convertible notes for the period from 22 July 2012 to 31 October 2013.

Pursuant to the supplemental agreements with the Vendor dated 31 May 2012 and 29 June 2012, respectively, the Original Maturity Date has been extended from 22 July 2012 to 31 December 2013 (the "New Maturity Date"), on which the convertible notes shall be redeemed by the Company at its principal amount together with interest outstanding; and interest on the convertible notes shall be accrued on and from the date of issue of the convertible notes up to and including the Original Maturity Date only. No interest shall be accrued on the convertible notes for the period from the Original Maturity Date to the New Maturity Date.

Details of the HK$220,000,000 1% convertible notes are set out in the Company's announcements dated 16 April 2010, 16 July 2010, 30 December 2010, 30 August 2011, 31 January 2012, 31 May 2012, 29 June 2012, 8 August 2012, 12 October 2012 and 31 December 2012.

The Company determined the fair value of the derivative component (conversion right of convertible notes holders) on 7 March 2012 for the first tranche convertible note, on 3 August 2012 for the second tranche convertible note and on 31 December 2012 for the third tranche convertible note of overall HK$220 million 1% convertible note based on the valuations performed by Jones Lang LaSalle using the Binominal Model and such amounts are carried as derivative components until extinguished on conversion or redemption. Changes in fair value of derivative components are recognised in profit or loss.

The liability components of the first tranche convertible note on 7 March 2012, the second tranche convertible note on 8 August 2012 and the third tranche convertible note on 31 December 2012 were initially measured at fair value and subsequently measured at amortised cost basis until extinguished on conversion or redemption. The effective interest rates of the first, second and third tranche convertible notes were 14.91%, 14.64% and 14.79%, respectively.

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34. CONVERTIBLE NOTES/BONDS *(Continued)*

(a) HK$220,000,000 1% convertible notes *(Continued)*

The movement of the liability component and the derivative component of the HK$220,000,000 1% convertible notes for the year is as below:

	Liability component *RMB'000*	Derivative component *RMB'000*	Total *RMB'000*
The first tranche acquired in the Transaction	76,105	10,256	86,361
The delivery of the second tranche to the Vendor on 8 August 2012	61,227	6,496	67,723
The delivery of the third tranche to the Vendor on 31 December 2012	15,130	467	15,597
Effect of maturity date extension	(4,980)	–	(4,980)
Interest expense	12,180	–	12,180
Fair value adjustment	–	(12,271)	(12,271)
Exchange realignment	(869)	(59)	(928)
At 31 December 2012	158,793	4,889	163,682
Interest expense	21,255	–	21,255
Fair value adjustment	–	(4,850)	(4,850)
Exchange realignment	(5,166)	(39)	(5,205)
Redemption	(174,882)	–	(174,882)
At 31 December 2013	–	–	–

(b) HK$1,003,836,048 zero coupon convertible note

Part of the consideration in respect of the Transaction was the issue of HK$1,003,836,048 zero coupon convertible note to China Times on 7 March 2012.

This zero coupon convertible note entitles the holders to convert to ordinary shares of the Company at an initial conversion price of HK$0.5 (subject to the anti-dilutive adjustments in accordance with the terms of the convertible note) at any time during the period commencing from the issue date of the convertible note.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible note at the principal amount on the maturity date which is the date falling five years after the issue date.

The Group determined the fair value of the liability component based on the valuations performed by Jones Lang LaSalle using discounted cash flow approach. The effective interest rate is 11.2%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible notes equity reserve of the Group.

The liability component is carried as a non-current liability on an amortised cost basis until extinguished on conversion or redemption.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. CONVERTIBLE NOTES/BONDS *(Continued)*

(b) HK$1,003,836,048 zero coupon convertible note *(Continued)*

The movement of the liability component and equity component of the convertible note for the year is as follows:

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At 7 March 2012	480,539	336,884	817,423
Interest expense	43,479	–	43,479
Exchange realignment	(2,177)	–	(2,177)
At 31 December 2012	521,841	336,884	858,725
Interest expense	57,606	–	57,606
Exchange realignment	(16,783)	–	(16,783)
At 31 December 2013	562,664	336,884	899,548

(c) RMB820,000,000 0.5% convertible bonds (the "Bonds")

The Bonds were issued by the Company on 30 May 2013 (the "Issue Date") in the aggregate principal amount of RMB820,000,000 (in registered form in the denomination of RMB1,000,000 each or integral multiples thereof) and are listed on the Mainboard of the Hong Kong Stock Exchange.

The Bonds are convertible into ordinary shares of the Company's ordinary shares (the "Shares") at any time on or after 10 July 2013 up to the close of business on the tenth day prior to 30 May 2018 (the "Maturity Date") (both days inclusive), unless previously redeemed, converted, or purchased and cancelled. The conversion price (subject to adjustments according to the "Terms and Conditions" of the Bonds) (the "Conversion Price") is initially HK$0.30 per Share at the fixed exchange rate of HK$1.00 = RMB0.79859.

The Bonds bear interest from and including the 30 May 2013 up to but excluding the Maturity Date at the rate of 0.50% per annum of the principal amount of the Bonds and payable in United States Dollar ("US$") at the US$ equivalent semi-annually in arrears on 30 November and 30 May in each year subject to the Terms and Conditions. The first interest payment date will be 30 November 2013. After the conversion rights of the Bonds have been exercised or where such Bond is redeemed or repaid pursuant to the Terms and Conditions, each Bond will not bear any interest.

Unless previously redeemed, converted or purchased and cancelled in the circumstances set out in the Terms and Conditions, the Company shall redeem each Bond at the US$ equivalent of 102.56% of the RMB principal amount on the Maturity Date.

The Company shall, at the option of the holders of the Bonds (the "Bondholders"), redeem all or some only of such Bondholders on 30 May 2016 at 101.52% of their RMB principal amount. The US$ equivalent of amount equal to 100% of the RMB principal amount of the Bond redeemed plus the applicable amount which will provide the Bondholder a gross compound yield of 1.00% per annum calculated on a semi-annual basis (the "Early Redemption Amount") plus any accrued but unpaid interest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. CONVERTIBLE NOTES/BONDS *(Continued)*

(c) RMB820,000,000 0.5% convertible bonds (the "Bonds") *(Continued)*

A Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem all, but not some only, of such Bondholder's Bonds at the US$ equivalent of the Early Redemption Amount on the date fixed for redemption upon (i) the Shares ceasing to be listed or admitted to trading or suspended for a period of more than 30 consecutive trading days on the Hong Kong Stock Exchange or, if applicable, the alternative stock exchange; or (ii) any person or persons (other than Daye Corporation and China Times) acting together acquires more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Board; or (iii) if Daye Corporation and/or China Times and/or their respective successors directly or indirectly, acting individually or together, ceases to hold at least 30% of the voting rights of the issued share capital of the Company; or (iv) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person; or (v) one or more persons (other than such persons referred to in (ii) above) acquires the legal or beneficial ownership of all or substantially all of the issued share capital of the Company.

The Bonds are subject to redemption at the option of the Company in whole but not in part at the US$ equivalent of the Early Redemption Amount on the date fixed for redemption plus accrued interest and unpaid interest to such date provided that (i) at any time after 30 May 2016, the closing price of the Shares for each of the 20 consecutive trading days, the last day of which occurs not more than three Hong Kong Stock Exchange business days immediately prior to the date upon which notice of such redemption, is at least 130% of the Early Redemption Amount divided by the "Conversion Ratio" (which is arrived at dividing the principal amount of each Bond by the Conversion Price then in effect immediate prior to the date of the aforesaid notice of such redemption; or (ii) at any time, at least 90% of the principal amount of Bonds originally issued have been converted, redeemed or purchased and cancelled; or (iii) as a result of changes relating to the tax laws in Bermuda or Hong Kong the Company becomes obligated to pay any additional tax amounts but subject to the non-redemption option of each Bondholder.

The Company will undertake that so long as any Bond remains outstanding (as defined in the trust deed), the Company will not, and will ensure that none of its Principal Subsidiaries (as defined in the Terms and Conditions) will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues present or future to secure the repayment or payment of principal, premium or interest of or on any relevant indebtedness, or any guarantee of or indemnity given in respect of the repayment or payment of principal, premium or interest of or on any relevant indebtedness unless, at the same time or prior thereto, the Company's obligations under the Bonds (a) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the trustee in its absolute discretion shall deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an extraordinary resolution of the Bondholders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. CONVERTIBLE NOTES/BONDS *(Continued)*

(c) RMB820,000,000 0.5% convertible bonds (the "Bonds") *(Continued)*

The Bonds have the benefit of the irrevocable standby letter of credit issued in favour of the trustee, on behalf of the Bondholders, by Bank of China Limited, Macau Branch (the "Letter of Credit") until 29 June 2016 or such earlier date as specified below. The Letter of Credit shall be drawable by the trustee as beneficiary under the Letter of Credit on behalf of itself and the Bondholders upon the presentation of a demand by authenticated SWIFT sent by the trustee to the effect that (i) the Company has failed to pay the pre-funding an amount that is payable under the Terms and Conditions; or (ii) an event of default has occurred and the trustee has given notice to the Company that the Bonds are immediately due and payable; or (iii) the Company has failed to pay the fees and expenses in connection with the Bonds or the trust deed when due and such failure continues for a period of 7 days from the date of the trustee delivering demand therefor to the Company; or (iv) the payment by Bank of China Limited, Macau Branch (the "SBLC Bank") pursuant to a previous demand presented by the trustee in accordance the preceding sub-paragraph (iii) was when converted into US$ not sufficient to discharge in full the fees and expenses in connection with the Bonds; or the trust deed when due. Subject to the Terms and Conditions, the Letter of Credit shall expire on the date falling 3 years and 30 days after the Issue Date.

The SBLC Bank's liability under the Letter of Credit shall be expressed and payable in RMB and shall not exceed the sum representing RMB840,000,000 which will from time to time be reduced by (i) each amount drawn and paid under the Letter of Credit; and (ii) redemption, conversion or repurchase and cancellation of the Bonds and receipt by the SBLC Bank of a Reduction Notice (as defined in the Letter of Credit) in relation thereto.

Further details of the Bonds are set out in the Company's announcements dated 9 May 2013 and 30 May 2013.

The Company determined the fair value of the derivative component (conversion right of Bondholders) of the Bonds based on the valuations performed by Jones Lang LaSalle using the Binominal Model and such amounts are carried as derivative components until extinguished on conversion or redemption. Changes in fair value of derivative components are recognised in profit or loss.

The liability component of the Bonds was initially measured at fair value and subsequently measured at amortised cost basis until extinguished on conversion or redemption. The effective interest rate is 8.1%.

The movement of the liability component and the derivative component of the Bonds from the issue date to 31 December 2013 is as below:

	Liability component *RMB'000*	**Derivative component** *RMB'000*	**Total** *RMB'000*
On issue date, net of issue expenses	645,766	150,234	796,000
Interest expense	29,200	–	29,200
Fair value adjustment	–	(33,590)	(33,590)
At 31 December 2013	674,966	116,644	791,610

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. DEFERRED INCOME

	RMB'000
At 1 January 2012	116,011
Government grants obtained	85,880
Credited to profit or loss	(10,216)
At 31 December 2012	191,675
Government grants obtained	47,329
Credited to profit or loss	(9,845)
At 31 December 2013	229,159

Analysed as:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current *(Note 30)*	**12,136**	6,217
Non-current	**217,023**	185,458
	229,159	191,675

Deferred income represents grants obtained from the PRC government in relation to the construction and the purchase of certain plant and machinery by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

36. EARLY RETIREMENT OBLIGATION

		RMB'000
At 1 January 2012		78,019
Additions		1,540
Interest cost		2,080
Benefits paid		(20,289)
At 31 December 2012		61,350
Additions		240
Interest cost		1,620
Benefits paid		(23,347)
At 31 December 2013		39,863
Analysed as:		
Current	9,710	14,560
Non-current	30,153	46,790
	39,863	61,350

The Group had made offers to certain employees for encouraging them to accept voluntary redundancy before their normal retirement date (the "Early Retirement Scheme"). Early retirement benefits are recognised when the Group enters into agreements specifying the terms of early retirement or after the individual employees have been advised of the specific terms.

The above obligation was determined based on actuarial valuations performed by an independent firm of actuaries, Towers Watson, Hong Kong, using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	At 31 December	
	2013	2012
	%	%
Discount rate	**4.5**	3
Expected living cost inflation rate	**5**	5

Mortality is assumed to be the average life of expectancy of residents in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

37. ISSUED EQUITY

Issued equity represents the issued equity instruments of Prosper Well before the Transaction and, in the case of after the Transaction, plus the deemed consideration to be given by Prosper Well for the Transaction, represented by the fair value of the Company's shares immediately prior to the Transaction.

Ordinary share capital of Prosper Well

Prosper Well was incorporated on 1 December 2010 with an initial authorised ordinary share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, 1 ordinary share was issued with ordinary share capital of US$1. Since then, Prosper Well did not have any change in its share capital.

As at 1 January 2012, the issued equity of the Group reflects the ordinary share capital of Prosper Well of US$1.

Ordinary share capital of the Company

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 1 January 2012, 31 December 2012 and 31 December 2013	30,000,000,000	1,500,000
		RMB'000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 1 January 2012	5,591,195,552	227,646
Issue of Consideration Shares	11,736,715,634	477,860
At 31 December 2012 and 2013	17,327,911,186	705,506

There was no movement in the Company's share capital for year ended 31 December 2013.

In 2012, as disclosed in note 2 above, the consideration of the Transaction was partly satisfied by the allotment and issue of 10,799,762,092 ordinary shares of the Company and 936,953,542 ordinary shares of the Company to China Times and Cinda HK, respectively. The Transaction was completed on 7 March 2012. The Consideration Shares issued on the completion date was based on the closing price of HK$0.485 per share on 7 March 2012, resulting in credits to ordinary share capital of the Company of RMB477,860,000 (HK$586,836,000) and share premium of the Company of RMB4,157,385,000 (HK$5,105,471,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

38. SHARE OPTIONS SCHEME

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the board of directors of the Company may, at its discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued ordinary share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the ordinary shares of the Company in issue from time to time.

(ii) The number of ordinary shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the ordinary shares of the Company in issue as at the date of grant.

(iii) The exercise price is determined by the directors of the Company in its absolute discretion at a price not less than the highest of (a) the closing price of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the ordinary shares of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of ordinary share of the Company.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) The Scheme will remain valid for a period of 10 years commencing in October 2003.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

38. SHARE OPTIONS SCHEME *(Continued)*

Details of the vested share options granted by the Company under the Scheme are as follows:

Date of grant:	19 June 2009
Exercisable period:	19 June 2009–18 June 2019
Number of share options on 7 March 2012 (completion date of the Transaction):	
— Directors	50,000,000
— Employees	62,700,000
— Consultants	195,000,000
Total	307,700,000
Exercise price:	HK$0.61
Price of ordinary share of the Company as at 7 March 2012:	HK$0.485
Expected volatility:	49.12%
Interest rate as at the valuation date:	0.9%
Maturity (years)	7.285

The Company determined the fair value of the vested equity-settled share options amounted to RMB51,648,000 upon the completion of the Transaction on 7 March 2012 based on the valuations performed by Jones Lang LaSalle using the Binomial Model.

Apart from the above, no share option has been granted, exercised, cancelled or lapsed during the year (2012: Nil).

On 5 February 2013, the Company announced that 61,500,000 share options were lapsed.

On 26 March 2013, the Directors passed a resolution to cancel the remaining 246,200,000 share options.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of the Existing Group

As disclosed in note 2, on 7 March 2012, the Company issued Consideration Shares and HK$1,003,836,048 zero coupon convertible note in exchange for the entire shareholdings in Prosper Well. In accordance with HKFRS 3 (Revised 2008), Prosper Well is deemed to be the accounting acquirer of the Existing Group.

The fair value of the identifiable assets and liabilities of the Existing Group and goodwill arising from the Transaction are as follows:

	RMB'000
Purchase consideration:	
Consideration deemed to have been paid by the Prosper Well Group *(Note 2)*	2,259,809
Less: Fair value of the Existing Group's identifiable assets acquired and liabilities assumed attribute to the Transaction (see below for details)	(298,153)
Goodwill	1,961,656

The recognised amounts of identifiable assets acquired and liabilities assumed of the Existing Group on the completion date of the Transaction were as follows:

	RMB'000
Property, plant and equipment	88,466
Prepaid lease payments	1,396
Mining rights	376,000
Deposit for acquisition of Qianyi Limited	138,431
Other receivables	36,224
Bank balances and cash	57,799
Trade and other payables	(68,682)
Cumulative redeemable preference shares	(904)
First tranche of HK$220,000,000 1% convertible notes	(86,361)
Deferred tax liabilities	(94,000)
Total identifiable net assets	448,369
Non-controlling interests*	(150,216)
	298,153

* The amount is measured based on proportionate share of net assets acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of the Existing Group *(Continued)*

	RMB'000
Satisfied by:	
Total deemed consideration transferred	2,259,809
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	57,799

The Existing Group generated revenue of RMB197,743,000 and incurred a net loss of RMB66,487,000 to the Group for the period from 7 March 2012 (completion date of the Transaction) to 31 December 2012. If the Transaction had occurred on 1 January 2012, the Group's revenue and profit attributable to owners of the Company for the year ended 31 December 2012 would have been approximately RMB28,878,123,000 and RMB153,252,000, respectively.

(b) Acquisition of assets through acquisition of a subsidiary

On 14 July 2010, the Company entered into an agreement with the Vendor for the acquisition of 100% shareholding in Qianyi Limited, a company which will, upon completion of its reorganisation, indirectly hold 80% equity interest in Tong Xing at a total consideration of HK$280 million (the "Tong Xing Consideration"). The Tong Xing Consideration would be satisfied as to HK$60 million by cash and as to HK$220 million by the Company issuing convertible notes to the Vendor. In respect of the convertible notes to the Vendor, only 50% of the convertible notes (the first tranche, that is, in the principal sum of HK$110 million), together with the cash of HK$60 million, had been delivered to the Vendor and the remaining 50% of the convertible notes (that is, in the principal sum of HK$110 million) will be delivered to the Vendor within 3 business days after the mining licence in respect of the Mine granted to Tong Xing.

On 30 December 2010, the Company entered into a supplementary agreement with the Vendor, pursuant to which in view of the fact that according to the blueprint announced by the government of the PRC, a new railway will be built in Xinjiang Uygur Autonomous Region and which will go across part of the Mine and affect part of the controllable resources reserves of copper in the Mine, the Vendor agrees to, on the basis that it will continue to fulfill its obligation to complete the mining licence of the Mine, conduct exploration works in the New Mining Area in order to supplement and increase the mining resources reserves of Tong Xing.

According to the supplementary agreement, the Tong Xing Consideration is reduced from HK$280 million to HK$259 million, but it will be increased in accordance with the amount of the controllable resources/reserves of copper found in the New Mining Area (in the proportion of HK$2,312.10 per ton of copper), provided always that after the aforesaid adjustments, the total amount of the consideration for both the Mine and the New Mining Area will be capped at HK$365 million and the Group shall not be liable to pay any additional consideration for the extra amount of controllable resources/reserves of copper.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of assets through acquisition of a subsidiary *(Continued)*

The increase in the amount of the Tong Xing Consideration for the acquisition in relation to the New Mining Area will be payable by the Group (i) as to 50% by cash upon the report on the amount of reserves of the New Mining Area is issued; and (ii) as to the remaining 50% will be kept by the Group for payment of the cost of the mining licence in respect of the New Mining Area. The Vendor shall be responsible for payment of all expenses related to the exploration, the preparation of the reserves report and the application of the mining licence of the New Mining Area.

In respect of the remaining 50% of the convertible notes (that is, in the principal sum of HK$110 million), it will be delivered to the Vendor as to (i) HK$89 million (i.e. the second tranche) within 3 business days after the mining licence of the Mine is granted to Tong Xing; and as to (ii) HK$21 million (i.e. the third tranche) upon the amount of the controllable resources/reserves of copper in the New Mining Area has been determined.

On 3 August 2012, the Company was informed by Tong Xing that the mining license of the Mine has been granted to Tong Xing by the Department of Land and Resources of Xinjiang Uygur Autonomous Region and the Company completed the acquisition of the following assets and liabilities through acquisition of Qianyi Limited at a consideration of approximately HK$259,000,000, satisfied as to deposit for acquisition of Qianyi Limited acquired in the Transaction (which represents cash of HK$60,000,000 and the first tranche of HK$220,000,000 1% convertible note in principal sum of HK$110,000,000 paid by the Company in 2010) and the delivery of the second tranche of HK$220,000,000 1% convertible note in principal sum of HK$89,000,000 in August 2012.

	RMB'000
Property, plant and equipment	421
Deferred tax assets	477
Mining rights	242,810
Exploration and evaluation assets	17,818
Other receivables	452
Bank balances and cash	5,012
Other payables	(8,526)
Total identifiable net assets	258,464
Non-controlling interests*	(51,703)
	206,761

* The amount is measured based on proportionate share of net assets acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Acquisition of assets through acquisition of a subsidiary *(Continued)*

	RMB'000
Satisfied by:	
Deposit for acquisition of Qianyi Limited	139,037
Fair value of the second tranche HK$220,000,000 1% convertible note in principal sum of HK$89,000,000 delivered	67,724
	206,761
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	5,012

(c) Disposal of subsidiaries

On 27 December 2013, the Group disposed of 5% equity interests of Jetlight, China Daye HK, China National Resources, China National Recycling, Keytrade and Shenzhen Rainbow (collectively referred to as the "Disposed Subsidiaries") to Right Elite Global Limited ("Right Elite") for a total cash consideration of HK$2,592,500 (equivalent to approximately RMB2,038,000) and retained 95% equity interests of the Disposed Subsidiaries.

Right Elite and its senior management and other group companies have wide networking and experience in handling cross-border (namely, Hong Kong and the PRC) non-ferrous metals trading and also trade financing and investment in the PRC. Further, Right Elite appointed representatives to serve as part of the senior management of each of the Disposed Subsidiaries. Therefore, the disposal of the Disposed Subsidiaries allows the Group to leverage on the networking and experience of Right Elite in order to further one of the Group's key strategies, namely to strengthen its cross-border trading business. To facilitate the management and daily operation of the Disposed Subsidiaries, the Group also entered into the shareholders agreement with Right Elite that resolutions of shareholders' meetings and directors' meetings require unanimous consent of the Group and Right Elite. Accordingly, the Disposed Subsidiaries were accounted for as joint ventures upon the disposal, see note 21 for further details.

As at 31 December 2013, the cash consideration was not yet received by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Disposal of subsidiaries *(Continued)*

Analysis of assets and liabilities at the date of disposal (27 December 2013) over which control was lost:

	RMB'000
Trade and other receivables	2,665,656
Cash and cash equivalents	91,617
Available-for-sale financial assets	4,965,315
Trade and other payables	(2,192,642)
Bank borrowings	(5,461,839)
Net assets attributable to the equity owners of the Group	68,107

The gain recognised in profit or loss on loss of control was calculated as follows:

	RMB'000
Consideration receivables	2,038
Cumulative gain on available-for-sale financial assets reclassified from equity on loss of control of subsidiary	43,439
Fair value of retained equity interest	64,702
Net assets disposed of	(68,107)
Gain on disposal	42,072

Net cash outflow arising from disposal of subsidiaries

	RMB'000
Consideration receivable	–
Cash and cash equivalents disposal of	(91,617)
	(91,617)

(d) Major non-cash transactions

The acquisition of the Existing Group and Qianyi Limited involve the issue of the Consideration Shares, the HK$1,003,836,048 zero coupon convertible note and the first and second tranche of HK$220,000,000 convertible notes in principal sum of HK$110,000,000 and HK$89,000,000, respectively, which are non-cash in nature.

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40. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of net debts (which includes bank and other borrowings, convertible notes/bonds and cumulative redeemable preference shares), restricted bank deposits and bank balances, bank deposits, bank balances and cash and equity attributable to owners of the Company (comprising issued equity, share premium, reserves and retained profits).

Gearing ratio

The Group's management reviews the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital.

The gearing ratio of the Group at the end of the reporting period was as follows:

		At 31 December	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Debts	*(i)*	**10,451,755**	8,639,759
Less: Restricted bank deposits and bank balances, bank deposits, bank balances and cash (excluded deposits for the commodity derivatives and currency forward contracts)		**(1,612,883)**	(1,434,547)
Net debts		**8,838,872**	7,205,212
Equity	*(ii)*	**3,568,288**	5,492,448
Net debts to equity ratio		**247.7%**	131.2%

Notes:

(i) Debts comprise non-current and current bank and other borrowings, cumulative redeemable preference shares, and convertible notes/bonds as detailed in notes 31, 33 and 34, respectively.

(ii) Equity includes issued equity, share premium, reserves and retained profits attributable to owners of the Company.

Notes to the Consolidated Financial Statements

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41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables	**2,981,682**	2,169,686
Derivatives	**5,057**	1,361
Financial liabilities		
Amortised costs	**11,553,605**	10,709,998
Gold loans	**1,083,677**	–
Cumulative redeemable preference shares	**873**	900
Derivatives	**154,006**	954
Derivative component of convertible notes/bonds	**92,644**	4,889

Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and notes receivables, other receivables, restricted deposits and bank balances, bank deposits, bank balances and cash, trade payables, other payables, bank and other borrowings, gold loans, convertible notes/bonds (including both liability and derivative components) and cumulative redeemable preference shares and derivatives. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Commodity price risk

The Group is principally engaged in the mining and processing of mineral ores and trading of non-ferrous metal in the PRC and borrowed gold loans. The major products of the Group include copper cathodes and gold, and other products include silver, iron ores and sulphuric acid. As the commodity market is influenced by global as well as PRC supply and demand conditions, any unexpected price change in the market might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures, and may enter into commodity derivative contracts from time to time in accordance with the policies approved by the directors of the Company to manage the exposure with respect to its inventories, forecast sell or firm sell commitments mainly includes copper and certain other metal products. The Group does not enter into any commodity derivative contracts in respect of iron ores and other commodities and gold loans.

Financial assets and liabilities of the Group that expose to the commodity price risk — the fair value change, primarily with respect to its outstanding derivative financial instruments, mainly the copper and other metal derivative contracts, gold loan contracts, inventories that effectively hedged by commodity futures contracts in accordance with HKFRSs, and the provisional price arrangements in respect of sales of copper concentrate.

The Group enters into copper and other metal derivative contracts for the purpose of manage its exposure to copper and other metal product price risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Commodity price risk *(Continued)*

The Group formally designates and documents the hedging relationship at inception of its hedging transactions in respect of its inventories, therefore, a significant portion of the outstanding futures contracts related to copper were assessed to be highly effective accounted for as fair value hedges at each reporting date. The fair value changes of these outstanding copper futures contracts will be significantly offset by the corresponding fair value changes in the hedged inventories, as a result, management is of the opinion that any reasonable changes in copper price would not result in a significant change in the Group's results in respect of these contracts.

The following table details the Group's sensitivity to movement in prices in respect of its outstanding commodity derivative contracts and provisionally priced sales agreement for copper cathodes (those are not qualified as hedging accounting) and gold at each reporting date. At each reporting date, if the prices of these commodity derivative contracts, copper cathodes and gold increased/decreased by a reasonable possible change, with all other variables were held constant, the Group's profit before tax would have been affected as set out below:

	At 31 December	
	2013	2012
	(Increase)/ decrease in loss before tax	Increase/ (decrease) in profit before tax
	RMB'000	*RMB'000*
The prices of the commodity derivative contracts, copper cathodes and gold:		
— Increased by 30%	**32,272**	35,183
— Decreased by 30%	**(32,272)**	(35,183)

Interest rate risk

The Group is exposed to interest rate volatility on bank deposits, bank balances and borrowings. Bank deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits, bank balances, convertible notes/bonds and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's restricted bank deposits and bank balances, bank deposits, bank balances and cash and bank and other borrowings have been disclosed in notes 28 and 31, respectively. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on fluctuation of loan interest rates published by the People's Bank of China.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rate, with all other variables held constant (such effect on restricted bank balances and bank balances, however, had been ignored as most of them bore interest at minimal rate at the end of each reporting period.), of the Group's profit before tax as a result of the change in interest income/expense for floating rate deposits and borrowings:

	At 31 December			
	2013		2012	
	+100 basis points (Increase)/ Decrease in loss before tax	**–100 basis points (Increase)/ Decrease in loss before tax**	+100 basis points Increase/ (Decrease) in profit before tax	–100 basis points Increase/ (Decrease) in profit before tax
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Financial assets				
— Bank deposits	**17,291**	**–**	13,133	–
Financial liabilities				
— Bank and other borrowings	**(45,187)**	**45,187**	(49,821)	49,821
Total	**(27,896)**	**45,187**	(36,688)	49,821

Foreign exchange risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from international market that are conducted in United States dollars (US$) and Euros (Euro) and certain borrowings that are denominated in US$.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entities' functional currency. The Group is exposed to foreign exchange risk primarily with respect to US$.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts had been entered by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Foreign exchange risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB-HK$ and RMB-US$ exchange rates, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities, and certain derivative financial instruments.

	At 31 December	
	2013	2012
	(Increase)/ decrease in loss before tax	Increase/ (decrease) in profit before tax
	RMB'000	*RMB'000*
RMB–HK$		
Appreciation of RMB by 5%	**(29)**	34,019
Depreciation of RMB by 5%	**29**	(34,019)
RMB–US$		
Appreciation of RMB by 5%	**169,595**	146,019
Depreciation of RMB by 5%	**(169,595)**	(146,019)

Credit risk

The carrying amount of trade, bills, notes and other receivables, derivative financial instruments, restricted deposits and bank balances, bank deposits, bank balances and cash included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history. The credit risk arising from sales to major non-ferrous metals customers are managed by contracts that stipulate an upfront payment of significant portion of the amount of each sale and the remaining balance is normally received within 6 months. The Group performs periodic credit evaluations of its customers and slow moving debts, if any, are regular monitored with timely follow-up action taken. With diversified customer bases and the credit policy as stated above, the Group has no significant concentrations of credit risk with respect to a particular customer. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

Bills and notes receivables are only drawn from major state-owned financial institutions in the PRC. Substantially all the bank deposits, bank balances and restricted deposits as detailed in note 28 are held in major state-owned financial institutions located in the PRC and substantially all derivative financial instruments also directly entered into with the Shanghai Futures Exchange and banks with high credit rating, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non-performance by these counterparties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

The Group's treasury department monitors the Group's cash flow positions on a regular basis to ensure the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. To the extent that interest flows are variable rate, the undiscounted amount is driven from interest rate at the end of reporting period.

	Weighted average interest rate	Less than 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2012							
Trade payables		1,383,121	–	–	–	1,383,121	1,383,121
Other payables		692,907	–	–	–	692,907	692,907
Bank and other borrowings	4.54%	5,332,276	1,353,804	1,744,250	144,274	8,574,604	7,953,336
Cumulative redeemable preference shares		900	–	–	–	900	900
Convertible notes	0% – 1%	181,955	–	813,960	–	995,915	685,523
Derivative financial instruments		954	–	–	–	954	954
		7,592,113	1,353,804	2,558,210	144,274	11,648,401	10,716,741
31 December 2013							
Trade payables		**1,255,860**	**–**	**–**	**–**	**1,255,860**	**1,255,860**
Other payables		**1,023,184**	**–**	**–**	**–**	**1,023,184**	**1,023,184**
Bank and other borrowings	**4.16%**	**5,924,569**	**2,115,232**	**1,209,777**	**100,064**	**9,349,642**	**9,096,608**
Cumulative redeemable preference shares		**873**	**–**	**–**	**–**	**873**	**873**
Convertible notes/bonds	**0% – 0.5%**	**4,100**	**4,100**	**1,642,508**	**–**	**1,650,708**	**1,354,274**
Derivative financial instruments		**154,006**	**–**	**–**	**–**	**154,006**	**154,006**
		8,362,592	**2,119,332**	**2,852,285**	**100,064**	**13,434,273**	**12,884,805**

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41. FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy of financial instruments

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
31 December 2012				
Financial assets				
Derivative financial instruments	–	1,361	–	1,361
Financial liabilities				
Derivative financial instruments	–	954	–	954
Derivative component of convertible notes	–	4,889	–	4,889
31 December 2013				
Financial assets				
Derivative financial instruments	**–**	**5,057**	**–**	**5,057**
Financial liabilities				
Derivative financial instruments	**–**	**154,006**	**–**	**154,006**
Derivative component of convertible bonds	**–**	**92,644**	**–**	**92,644**
Gold loans	**–**	**1,083,677**	**–**	**1,083,677**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

		Fair value as at 31 December		Fair value hierarchy	Valuation technique
		2013	2012		
		RMB'000	*RMB'000*		
Financial assets/liabilities					
Copper futures contracts	Assets	**2,649**	1,333	Level 2	Calculate using quoted prices in an active market
	Liabilities	**13,521**	146	Level 2	Calculate using quoted prices in an active market
Copper option contracts	Liabilities	**7,929**	–	Level 2	Calculate using quoted prices in an active market
Gold futures contracts	Assets	**1,186**	–	Level 2	Calculate using quoted prices in an active market
	Liabilities	**112,790**	–	Level 2	Calculate using quoted prices in an active market
Silver futures contracts	Assets	**1,222**	–	Level 2	Calculate using quoted prices in an active market
Silver option contracts	Liabilities	**570**	–	Level 2	Calculate using quoted prices in an active market
Zinc futures contracts	Liabilities	**1,459**	–	Level 2	Calculate using quoted prices in an active market

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

41. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurement of financial instruments *(Continued)*

		Fair value as at 31 December		Fair value hierarchy	Valuation technique
		2013	2012		
		RMB'000	*RMB'000*		
Financial assets/liabilities					
Currency forward contracts	Assets	**–**	28	Level 2	Discounted cash flow, future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties
	Liabilities	**8,461**	182	Level 2	Discounted cash flow, future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties
Provisionally priced sales agreement	Liabilities	**9,276**	626	Level 2	Calculate using quoted prices in an active market
Gold loans	Liabilities	**1,083,677**	–	Level 2	Calculate using quoted prices in an active market
Derivative component of convertible notes/bonds	Liabilities	**92,644**	4,889	Level 2	Binominal model

There were no transfers between Level 1 and 2 in the year.

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

Notes to the Consolidated Financial Statements

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42. TRANSFERS OF FINANCIAL ASSETS

The following were the financial assets of the Group (measured at amortised cost) transferred to banks or suppliers, which did not qualify for derecognition in their entirety, at the end of the reporting periods:

31 December 2012

	Bills receivable discounted to banks *RMB'000*	Bills receivable endorsed to suppliers *RMB'000*	Notes receivable discounted to banks *RMB'000*
Carrying amount of transferred assets	21,850	238,015	60,000
Carrying amount of associated liabilities	21,850	238,015	60,000
Net position	–	–	–

31 December 2013

	Bills receivable discounted to banks ***RMB'000***	**Bills receivable endorsed to suppliers** ***RMB'000***	**Notes receivable discounted to banks** ***RMB'000***
Carrying amount of transferred assets	**–**	**267,913**	**20,000**
Carrying amount of associated liabilities	**–**	**267,913**	**20,000**
Net position	**–**	**–**	**–**

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivable and notes receivable to the respective banks by discounting the bills receivable and notes receivable for cash. The Directors consider the Group did not transfer substantially all of the risk and rewards of ownership of the bills receivable and notes receivable and continued to recognise the bills receivable and notes receivables. Associated liabilities have been recognised and included in bank and other borrowings.

In addition, the Group endorsed certain bills receivable to suppliers to exchange for goods and services from those suppliers which transferred the contractual rights to receive cash flows from those bills receivable to the respective supplier. The Directors consider the Group did not transfer substantially all of the risk and rewards of ownership of the bills receivable and continued to recognise the bills receivable and the associated trade payables.

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43. OPERATING LEASE — THE GROUP AS LESSEE

The Group leases certain lands under non-cancellable operating leases from Daye Corporation for 30 years. The Group has also leases certain of office properties and staff apartments under non-cancellable operating leases from independent third parties with an average life ranging from 1 to 3 years. The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

At the end of each of the reporting period, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Within one year	**13,969**	15,767
In the second to fifth year inclusive	**51,017**	53,226
Over five years	**274,214**	286,568
	339,200	355,561

44. CAPITAL COMMITMENTS

	At 31 December	
	2013	2012
	RMB'000	*RMB'000*
Capital expenditure authorised but not contracted for in respect of:		
— acquisition of property, plant and equipment	**1,921,435**	2,160,570
Capital expenditure contracted but not provided for in respect of:		
— acquisition of an intangible asset	**31,696**	32,690
— acquisition of property, plant and equipment	**994,860**	277,461

Notes to the Consolidated Financial Statements

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45. RELATED PARTY TRANSACTIONS

(a) Other than the transactions and balances with related parties disclosed elsewhere in these consolidated financial statements, the Group also had the following significant transactions with related parties during the year:

	Notes	Related parties	**2013** *RMB'000*	2012 *RMB'000*
Income:				
— Sales of non-ferrous metals	*(i)*	Daye Corporation	**70,957**	–
	(i)	Fellow subsidiaries	**1,734,522**	584,316
	(i)	An associate of Daye Corporation	**15**	–
— Sales of other materials	*(i)*	Daye Corporation	**230**	–
	(i)	Fellow subsidiaries	**146,752**	127,564
— Rendering of services	*(i)*	Daye Corporation	**442**	237
	(i)	Fellow subsidiaries	**903**	3,527
Expenses:				
— Transportation fees	*(i)*	An associate of Daye Corporation	**4,332**	224
— Utilities fees	*(i)*	Fellow subsidiary	**340,014**	291,701
	(i)	An associate of Daye Corporation	**2,022**	4,051
— Purchases of non-ferrous metals	*(i)*	Daye Corporation	**1,968,060**	115,398
	(i)	Fellow subsidiaries	**766,583**	2,002,706
	(i)	An associate of Daye Corporation	**1,986**	67,657
— Rental expense	*(i)*	Daye Corporation	**12,754**	12,754
	(i)	Fellow subsidiaries	**4,489**	2,084
— Medical service fees	*(i)*	Fellow subsidiary	**16,469**	13,456
— Interest expense	*(i), (ii)*	Daye Corporation	**70,358**	106,173
Capital expenditure:				
— Construction contract fees	*(i)*	Fellow subsidiaries	**561,049**	667,808
— Other service fees	*(i)*	Daye Corporation	**2,308**	–
	(i)	Fellow subsidiaries	**45,711**	75,644

Notes:

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

(ii) The interest expense arose from unsecured loans from Daye Corporation. Further details of the loans at the end of the reporting period are set out in note 31.

(b) The key management personnel remuneration for the Group is set out in note 13.

(c) Certain of the Group's bank borrowings as at 31 December 2012 are guaranteed by Daye Corporation at nil consideration. Details of these bank borrowings are set out in note 31.

Notes to the Consolidated Financial Statements

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46. DETAILS OF SUBSIDIARIES

Particulars of the subsidiaries at the end of reporting period are as follows:

Name of subsidiaries	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Group as at 2013	2012	Principal activities
Prosper Well Group Limited *(Note (a))*	BVI/ 1 December 2010	US$1	**100%**	100%	Investment holding
Rainbow Treasure Holdings Limited *(Note (b))*	Hong Kong/ 30 November 2010	HK$1	**100%**	100%	Investment holding
Daye Non-ferrous Metals Co., Ltd. ("大冶有色金屬有限責任公司") ("Hubei Daye") *(Note (b))*	PRC/ 31 March 2005	RMB1,490,977,877	**95.35%**	95.35%	Mining and processing of mineral ores and trading of metal concentrates
Daye Non-ferrous San You Industry Company Limited ("大冶有色三友實業有限責任公司") *(Note (b), (d))*	PRC/ 22 May 1999	RMB7,323,951	**–**	85.18%	Ore processing and selling of metal products
Daye Non-ferrous Xingke Construction Works Quality Inspection Company Limited ("大冶有色興科建設工程質量檢測有限公司") *(Note (b))*	PRC/ 27 July 2006	RMB1,000,000	**95.35%**	95.35%	Quality testing of construction projects
Daye Non-ferrous Design and Research Institute Company Limited ("大冶有色設計研究院有限公司") *(Note (b))*	PRC/ 1 June 2007	RMB6,800,000	**95.35%**	95.35%	Research and development
Ample Year Limited *(Note (a))*	BVI/ 10 November 2004	US$1	**100%**	100%	Investment holding
China Reservoir Mining Limited *(Note (b))*	BVI/ 9 August 2011	US$10,000	**51%**	51%	Investment holding
Fuken Investments Limited ("富勤投資有限公司") *(Note (b))*	BVI/ 5 March 2007	US$1	**100%**	100%	Investment holding
Giant Strong International Limited ("鉅強國際有限公司") *(Note (b))*	BVI/ 2 March 2007	US$3	**100%**	100%	Investment holding
Gold Way Investment International Limited ("匯金投資國際有限公司") *(Note (b))*	Hong Kong/ 1 February 2007	HK$100	**100%**	100%	Investment holding
Golden Brand Investments Limited ("金名投資有限公司") *(Note (b))*	BVI/ 18 May 2007	US$1	**100%**	100%	Investment holding
Goldright Finance Limited *(Note (a))*	BVI/ 18 February 2004	US$1	**100%**	100%	Securities trading
Max Alliance International Limited ("兆聯國際有限公司") *(Note (a))*	BVI/ 4 January 2010	US$1	**100%**	100%	Investment holding
Max Alliance Gold Resource Investment Limited ("兆聯黃金資源投資有限公司") *(Note (b))*	Hong Kong/ 8 April 2010	HK$1	**100%**	100%	Dormant
Reservoir (Mongolia) Limited *(Note (b))*	The Republic of Mongolia/ 4 November 2005	US$100,000	**51%**	–	Mineral exploitation

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46. DETAILS OF SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Group as at 2013	2012	Principal activities
Profit Jumbo Investment Limited *(Note (a))*	BVI/ 6 July 2007	US$1	**100%**	100%	Investment holding
Vintage International Financial Holding Group Limited ("豐匯國際金融控股集團有限公司") *(Note (a))*	BVI/ 6 December 2007	US$1	**100%**	100%	Investment holding
Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("新疆匯祥永金礦業有限公司") ("Huixiang Mining") *(Note (b))*	PRC/ 9 May 2007	RMB226,000,000	**55%**	55%	Mineral exploitation
Qianyi Limited *(Note (b))*	BVI/ 1 September 2009	US$1	**100%**	100%	Investment holding
Billion Honour Development Limited *(Note (b))*	Hong Kong/ 2 October 2009	HK$100	**100%**	100%	Investment holding
Xinjiang Tong Xing Mining Co., Ltd. ("新疆同興礦業有限責任公司") *(Note (b))*	PRC/ 28 May 2007	RMB46,080,000	**91.32%**	80%	Mineral exploitation
Kunming Daxin Trading Co., Ltd. ("昆明大鑫貿易有限公司") *(Note (c))*	PRC/ 20 December 2013	RMB10,000,000.00	**51%**	–	Trading
Jetlight *(Note (b), (e))*	BVI/ 20 January 2006	US$1	**–**	100%	Investment holding
Shinemax *(Note (b), (e))*	BVI/ 13 March 2003	US$1	**–**	100%	Investment holding
China Daye HK *(Note (b), (e))*	Hong Kong/ 29 January 2003	HK$2	**–**	100%	Trading
China National Resources *(Note (b), (e))*	Hong Kong/ 30 June 1992	HK$2	**–**	100%	Dormant
China National Recycling *(Note (b), (e))*	Hong Kong/ 14 February 2005	HK$1	**–**	100%	Dormant
Keytrade *(Note (b), (e))*	BVI/ 3 December 2004	US$1	**–**	100%	Security trading
Shenzhen Rainbow *(Note (b), (e))*	PRC/ 15 June 2012	HK$10,000,000	**–**	100%	Trading

Notes:

(a) This company is directly held by the Company.

(b) These companies are indirectly held by the Company.

(c) This company is newly established during the year.

(d) This company is deregistered during the year.

(e) These companies were disposed of during the year.

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46. DETAILS OF SUBSIDIARIES *(Continued)*

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Incorporation/ establishment/ registration and operation	Proportion ownership interest held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013**	2012	**2013**	2012
		%	%	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Hubei Daye	PRC	**4.65**	4.65	**10,899**	10,599	**198,937**	188,038
Huixiang Mining	PRC	**45**	45	**(1,446)**	(2,125)	**205,983**	190,441
Individually immaterial subsidiaries with non-controlling interests						**(608)**	54,561
						404,312	433,040

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Hubei Daye	**2013**	2012
	RMB'000	*RMB'000*
Current assets	**8,267,669**	7,140,452
Non-current assets	**7,678,256**	7,041,127
Current liabilities	**(8,187,791)**	(6,752,768)
Non-current liabilities	**(3,479,918)**	(3,384,988)
Total equity	**4,278,216**	4,043,823

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46. DETAILS OF SUBSIDIARIES *(Continued)*

Hubei Daye	**2013** *RMB'000*	2012 *RMB'000*
Revenue	**34,670,504**	28,821,886
Profit and total comprehensive income for the year	**234,393**	227,928
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(200,969)**	(549,419)
Net cash outflow from investing activities	**(860,932)**	(854,137)
Net cash inflow from financing activities	**1,428,900**	2,000,758
Net cash inflow	**366,999**	597,202

Huixiang Mining	**2013** *RMB'000*	2012 *RMB'000*
Current assets	**8,385**	16,306
Non-current assets	**1,092,823**	539,186
Current liabilities	**(549,468)**	(38,289)
Non-current liabilities	**(94,000)**	(94,000)
Total equity	**457,740**	423,203
Revenue	**99**	172
Loss and total comprehensive expenses for the year	**(3,213)**	(4,723)
Dividends paid to non-controlling interests	**–**	–
Net cash outflow from operating activities	**(3,360)**	(1,534)
Net cash outflow from investing activities	**(193,583)**	(47,176)
Net cash inflow from financing activities	**186,130**	59,899
Net cash (outflow)/inflow	**(10,813)**	11,189

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	31 December 2013 RMB'000	1 January 2013 RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	4,108,316	5,659,431
Amounts due from subsidiaries	1,011,263	649,709
Property, plant and equipment	34	937
	5,119,579	6,310,077
CURRENT ASSETS		
Prepayments and other receivables	2,196	2,528
Bank balances and cash	127,129	1,511
	129,325	4,039
CURRENT LIABILITIES		
Amounts due to subsidiaries	59,815	–
Other payables and accruals	1,828	2,019
Cumulative redeemable preference shares	873	900
Convertible notes	–	163,682
	62,516	166,601
NET CURRENT ASSETS (LIABILITIES)	66,809	(162,562)
TOTAL ASSETS LESS CURRENT LIABILITIES	5,186,388	6,147,515
CAPITAL AND RESERVES		
Issued equity	705,506	705,506
Share premium and reserves	3,089,227	4,791,900
TOTAL EQUITY	3,794,733	5,497,406
NON-CURRENT LIABILITIES		
Amounts due to subsidiaries	–	79,863
Convertible notes	1,354,274	521,841
Deferred tax liabilities	37,381	48,405
	1,391,655	650,109
	5,186,388	6,147,515

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	Share premium	Share option reserve	Convertible notes equity reserve	Capital redemption reserve	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2012	2,374,573	69,217	–	1,825	–	(2,025,882)	419,733
Recognition of share premium reserve arising from the Transaction	4,157,385	–	–	–	–	–	4,157,385
Issue of HK$1,003,836,048 zero coupon convertible note, net of income tax *(Note 34(b))*	–	–	281,298	–	–	–	281,298
Loss and total comprehensive expense for the year	–	–	–	–	1,319	(67,835)	(66,516)
At 31 December 2012	**6,531,958**	**69,217**	**281,298**	**1,825**	**1,319**	**(2,093,717)**	**4,791,900**
Reduction of share premium	(6,531,958)	–	–	–	–	6,531,958	–
Cancellation and lapse of share options	–	(69,217)	–	–	–	69,217	–
Loss and total comprehensive expense for the year	–	–	–	–	6,574	(1,709,247)	(1,702,673)
At 31 December 2013	–	–	281,298	1,825	7,893	2,798,211	3,089,227