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

2018
ANNUAL REPORT

Mineral Resources

XINJIANG MINE

Wuqia County

5 Sareke Copper Mine

HUBEI MINES

Daye City

1 Tonglvshan Mine

2 Tongshankou Mine

Yangxin County

3 Fengshan Mine

4 Chimashan Mine

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Tan Yaoyu *(Chairman)*
Long Zhong Sheng *(Chief Executive Officer)*
Zhai Baojin *(resigned on 23 April 2019)*
Yu Liming *(appointed on 19 June 2018)*
Wang Yan *(appointed on 23 April 2019)*

Independent Non-executive Directors:

Wang Guoqi
Wang Qihong
Liu Jishun

AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Wang Guoqi *(Chairman)*
Wang Qihong
Liu Jishun

NOMINATION COMMITTEE

Tan Yaoyu *(Chairman)*
Wang Guoqi
Wang Qihong
Liu Jishun

COMPANY SECRETARY

Lau Pok Yuen

LEGAL ADVISERS

As to Hong Kong law:
Paul Hastings

As to Bermuda law:
Conyers Dill & Pearman

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Co., Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite No. 10B, 16/F
Tower 3, China Hong Kong City
China Ferry Terminal
33 Canton Road, Kowloon
Hong Kong
(with effect from 9 April 2019)

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay 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 CODE

661

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Tan Yaoyu, aged 46, has been an executive director of China Daye Non-Ferrous Metals Mining Limited (the "Company") since 2012 and the chairman of the Board of the Company since September 2017. Mr. Tan is also the director of Daye Nonferrous Metals Co., Ltd ("Daye Metal"), a non-wholly owned subsidiary of the Company, and has over 20 years of experience in the mining industry. Mr. Tan 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 Communist Party Committee of Daye Nonferrous Metals Group Holding Co., Ltd. (the "Parent Company"), the controlling shareholder of the Company.

Mr. Long Zhong Sheng, aged 56, has been the Chief Executive Officer and an executive director of the Company since 2012. Mr. Long obtained a bachelor's degree in mining processing 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 mine engineering at Fengshan Mine (豐山礦) 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 Tonglvshan Mine (銅綠山礦) in the PRC from 2006 to 2008. Mr. Long was appointed as a director of Daye Metal in October 2017. He is also a director of China Times Development Limited, the immediate controlling shareholder of the Company, and an employee of the Parent Company. Mr. Long has over 30 years of experience in the management field of mining industry.

Mr. Zhai Baojin, aged 52, has been an executive director of the Company since 2012. Mr. Zhai 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 had served as the general manager of Daye Metal since September 2011, and its chairman and general manager since August 2017. Mr. Zhai had served as the general manager of the Parent Company since June 2010, and has been appointed as the chairman and general manager by the board of the Parent Company since August 2017. Mr. Zhai has 32 years of experience in the smelting industry. With effect from 23 April 2019, Mr. Zhai has resigned as an executive Director due to his other business commitments.

Mr. Wang Yan, aged 48, graduated from the Non-ferrous Metallurgy Department of Northeastern University (東北大學金屬冶金系) with a bachelor's degree in rare earth studies in 1994 and subsequently obtained a master's degree in business administration from Tsinghua University in 2005. Mr. Wang started his career in 1994. Mr. Wang worked in the corporate development department of China Nonferrous Metal Mining (Group) Co., Ltd, the ultimate holding company of the Company, from July 2005 to January 2019, during which he served as the head of the corporate development department from October 2016 to January 2019. Mr. Wang has served as a general manager and deputy secretary of the Communist Party Committee of the Parent Company since January 2019. He has been a director and general manager of Daye Metal since April 2019. Mr. Wang has over 20 years of experience in business administration.

Mr. Yu Liming, aged 46, has been an executive director of the Company since 2018. Mr. Yu graduated from Huangshi City Industrial School majoring in machinery manufacturing process (黃石市工業學校機械製造工藝及設備專業) in 1992 and subsequently obtained a bachelor's degree in finance from China Central Radio and TV University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in 2010. Mr. Yu started his career at the Fengshan Mine (豐山礦) since 1992. He served as the general manager of the sales department of Daye Metal from January 2010 to February 2016; and the general manager of the commerce department of the Parent Company from February 2016 to January 2018. Mr. Yu was appointed as the deputy general manager of the Parent Company and a director of Daye Metal in 2017. Mr. Yu has been engaged in the non-ferrous metals industry for over 20 years and has extensive experience in areas such as procurement of raw materials of non-ferrous metals, product sales and commodities trading.

Biographical Details of Directors

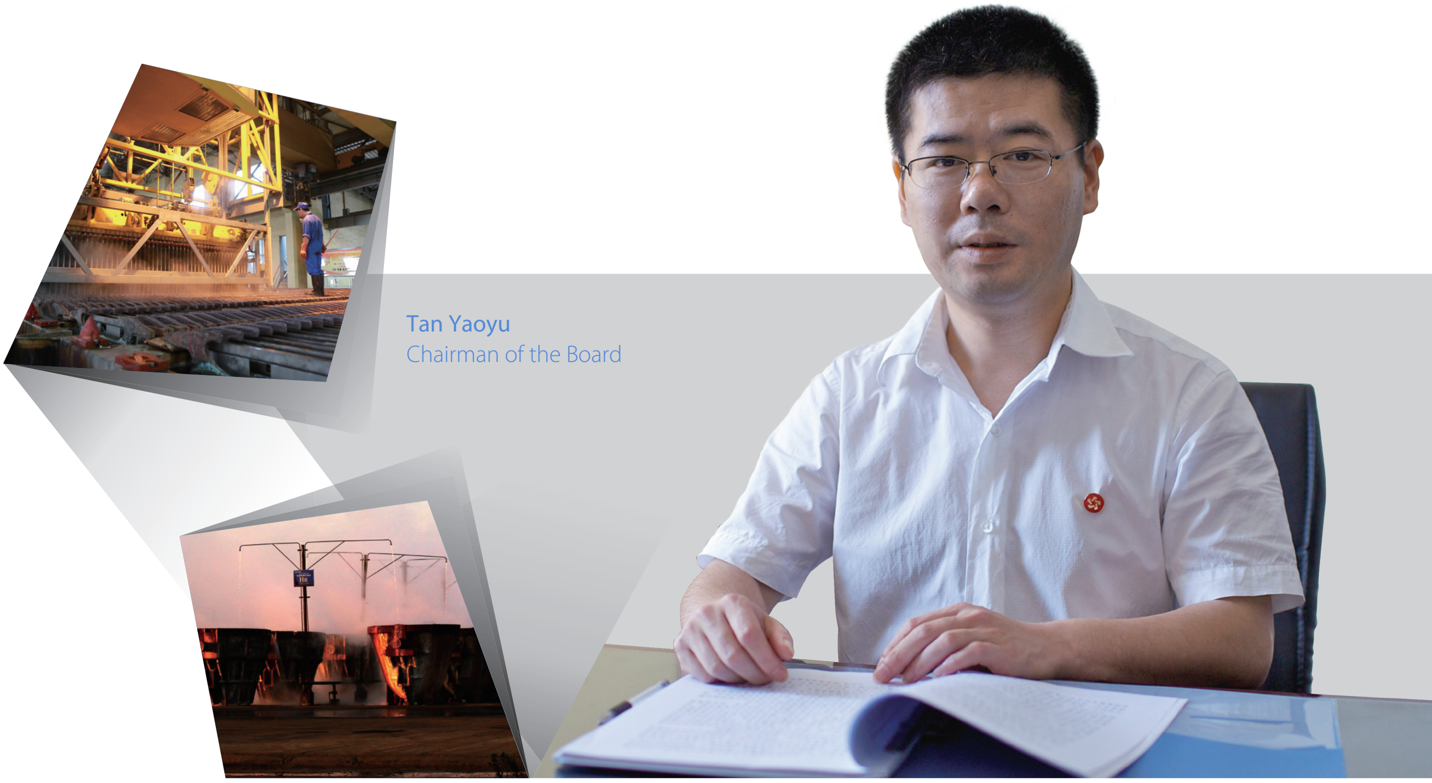
INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guoqi, aged 57, 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 obtained a bachelor's degree in financial accounting and a master's degree 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 64, has been an independent non-executive director of the Company since 2006. Mr. Wang worked in the Materials Bureau of the former Ministry of Posts and Telecommunications of the People's Republic of China and China National Postal and Telecommunications Appliances Corp. He was sent to Hong Kong by the Ministry of Posts and Telecommunications in 1991, where he served as a deputy general manager of Postel Development Co. Ltd., the Hong Kong branch of the Ministry of Posts and Telecommunications, and a deputy general manager of Town Khan Limited (Note: Town Khan Limited was one of the founders of SmarTone Telecommunications Holdings Limited (stock code: 00315) in Hong Kong, and it also participated in the listing of China Mobile Limited (stock code: 00941) in Hong Kong). Mr. Wang has participated in a number of projects regarding the modernization development and technology introduction of posts and telecommunications in the PRC since 1976, including the introduction of the first mobile communication equipment in the PRC, playing a significant role in the modernization of communication in the PRC. Mr. Wang successively graduated from Liaoning University and International College of Economics and Management (國際經濟管理學院) (currently merged with the University of International Business and Economics).

Mr. Liu Jishun, aged 61, is a professor and doctoral supervisor in Central South University (the "CSU"). Mr. Liu has been an independent non-executive director of the Company since July 2014. Mr. Liu obtained a bachelor's degree in geology, a master's degree in geology and a doctoral degree in earth sciences from Nanjing University in January 1982, July 1986, and July 1989, respectively. He was assigned to the Research Institute No. 230 of China National Nuclear Corporation in Changsha (核工業長沙230研究所) in January 1982. He worked as a researcher from October 1989 to October 1991 for the post-doctoral programme of geological exploration and mining petroleum in Central South University of Technology, which was then merged into the CSU. He joined the CSU as a lecturer of geology in November 1991 and was later promoted to professor. He is devoted to the theoretical research on ore-formation and the practice of ore exploration, and specializes in regional metallogeny, exploration system engineering and practicality assessment for mining. He was involved in the discovery of gold deposits in Qingyaigou (青崖溝), Gansu, PRC and the copper and gold deposits in Ka Latage (卡拉塔格), Xinjiang, the PRC. Mr. Liu has held numerous positions related to geology in multiple companies. For example, he was the research team leader of the Sanjiang exploration project (三江找礦工程) of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), as well as the advisor to each of Southwest China Nonferrous Geological Exploration Bureau (西南有色地勘局), Yunnan Copper (Group) Co., Ltd. (雲南銅業集團), Hubei Provincial Huangmailing Phosphate Chemical Co., Ltd. (湖北黃麥嶺磷化工集團), Guangdong Yunfu Guangye Pyrite Group Limited (廣東雲浮硫鐵礦集團), the joint research institute of Xinjiang Non-ferrous Metal Group and CSU (新疆有色中南大學聯合研究院), Mengzi Mining and Metallurgy Co., Ltd. (蒙自礦冶) and Guixin Mining Industry Development Co., Ltd. (桂新礦業有限公司). He also acted as the mine exploitation advisor in Lincang, Yunnan, the PRC and as a Guangdong Province corporate technology correspondent (廣東省企業科技特派員). He served as a member of the 13th and 14th term of expert valuation team to the National Natural Science Foundation of China (國家自然科學基金委).

Chairman's Statement



Tan Yaoyu
Chairman of the Board

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 2018.

Revenue for the year ended 31 December 2018 amounted to approximately RMB30,749,010,000 (2017: RMB33,529,012,000), representing a year-on-year decline of approximately 8.29%. Loss for the year was approximately RMB86,602,000 (2017: RMB91,191,000), representing a year-on-year decrease of approximately 5.03%. The decrease was primarily due to the increase in the gross profit of precious metals.

In 2018, the Group produced a total of approximately 30,000 tonnes of mined copper, substantially remaining at the same level over the same period last year; approximately 500,400 tonnes of copper cathode, an increase of approximately 4.88% over the same period last year; approximately 1,094.19 tonnes of precious metals (including approximately 9.97 tonnes of gold, approximately 1,053.90 tonnes of silver, approximately 26.50 kg of platinum, approximately 237.00 kg of palladium and approximately 30.06 tonnes of tellurium), an increase of approximately 21.28% over the same period last year; approximately 1,021,600 tonnes of chemical products such as the production of sulphuric acid (including approximately 1,016,500 tonnes of sulphuric acid, approximately 629.26 tonnes of nickel sulphate, approximately 4,252.73 tonnes of copper sulfate and approximately 168.79 tonnes of crude selenium), a decrease of approximately 2.15% over the same period last year; approximately 245,500 tonnes of iron concentrate, an increase of approximately 8.82% over the same period last year; and approximately 82.76 tonnes of molybdenum concentrate, a decrease of approximately 8.04% over the same period last year.

Chairman's Statement

With a broad vision and a liberal mindset, the Group laid out its work agendas in 2018 to fully align with market mechanism and deepened reforms in all areas. Through these initiatives, the Group managed to gain new progress on all tasks.

1. Continuously enhanced risk management

The official termination procedure of the project for tackling hidden peril in the Tongshankou Mine tailings storage facility close-down under listed supervision was completed. The water management project for smelting plant also achieved substantial progress. The goal of exceeding 96.5% in the reuse rate of industrial water for smelting production has been achieved. Operational risk and environmental risk were also put under efficient control.

2. Aligned with the market for enhancing operational efficiency

Through efforts in revamping production process to achieve higher efficiencies, there witnessed a significant growth in the turnout of products with good efficiencies. Through raising technical and economic indices, the Tongshankou Mine realised major breakthrough in the recovery rate of copper concentrator, whereas the total recovery rate from the smelting process also reached historic high.

3. Proactively promoted all of the Group's projects

The Group had completed a series of key projects such as the ore grinding and flotation transformation of Tongshankou Mine and the integrated recycling project with a capacity of 200,000 tonnes of scrap copper for the smelting plant, to further improve the competitiveness of the Group.

However, on the macro side, there existed upheavals and reservations over both domestic and international economies amid rough certainty. The significant rise in unstable factors and the uncertainties brought on by the Sino-US trade friction will impact the price of bulk commodities and key economic indicators. In terms of the non-ferrous metals industry, risks and challenges posed to resources exploration will be further aggravated owing to the impact of resource nationalism, trade protectionism and tax policies. On the overall industry development, the expansion of domestic production capacity of the copper smelting industry accelerated significantly, hand in hand with intensified industry competitions. At the same time, the "rigid bounds" on environmental protection were continuously strengthened.

In consideration of the above, in 2019, the Group will continue to align with market mechanism and deepened reforms in all areas, as well as to speed up development with a pragmatic attitude.

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, and hereby express our deep gratitude to our customers, suppliers and other business partners for their confidence and trust in the Group.

Tan Yaoyu
Chairman of the Board

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group recorded revenue of approximately RMB30,749,010,000 (2017: RMB33,529,012,000), representing a decrease of approximately 8.29% from the previous year. The decrease was mainly attributable to the decrease in trading volume.

Cost of sales and services rendered

For the year ended 31 December 2018, the cost of sales and services rendered of the Group amounted to approximately RMB29,806,274,000 (2017: RMB32,601,797,000), representing a decrease of approximately 8.57% from the previous year, which was primarily due to the decrease in trading volume when compared with the previous year.

Gross profit

Gross profit increased by approximately RMB15,521,000 to approximately RMB942,736,000, compared with approximately RMB927,215,000 in the same period of 2017. The increase in gross profit was mainly due to the improvement of cost control measures during the year ended 31 December 2018.

Other income

Other income for the year ended 31 December 2018 amounted to approximately RMB75,704,000 (2017: RMB81,528,000), representing a decrease of approximately 7.14% from the previous year, which was primarily due to the decrease in interest income from banks.

Other operating expenses

Other operating expenses decreased by approximately RMB87,103,000 to approximately RMB111,488,000, compared with approximately RMB198,591,000 in the same period of 2017. The decrease was primarily due to the decline in additional provision for early retirement obligations.

Other gains and losses

Other gains and losses for the year ended 31 December 2018 amounted to a net loss of approximately RMB121,132,000 (2017: a net loss of RMB39,956,000), representing an increase of approximately 203.16% from the previous year. The increase was primarily due to the effect of exchange losses and loss on disposal of assets.

Income tax expenses

Income tax expense for the year ended 31 December 2018 amounted to approximately RMB40,152,000 (2017: RMB21,661,000), representing an increase of approximately 85.37% from the previous year, which was primarily due to the increase in deferred tax expense when compared with the previous year.

Loss for the year

As a result of the foregoing factors, loss for the year ended 31 December 2018 amounted to approximately RMB86,602,000 (2017: RMB91,191,000).

Loss per share

For the year ended 31 December 2018, basic loss per share amounted to RMB0.56 fen (2017: RMB0.54 fen).

MINERAL RESOURCES AND ORE RESERVES

As at 31 December 2018, the Company held a total of five mines located in Hubei and Xinjiang.

The following table sets out the mineral information of each mine as at 31 December 2018.

Abundant and high quality mineral resources

	Hubei Mines								Xinjiang Mine	
	Tonglvshan Mine		Fengshan Mine		Tongshankou Mine		Chimashan Mine		Sareke Copper Mine	
Geographical location	Daye City		Yangxin County		Daye City		Yangxin County		Wuqia county	
Ownership	95.35%		95.35%		95.35%		95.35%		55%	
Approximate total area (square kilometres)	4.76		2.35		1.53		0.44		1.23	
Year for operation commencement	1971		1972		1984		1958		2017	
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	
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)	
Average copper grade	1.22%		0.8%		0.7%		0.85%		1.04%	0.82%
JORC classification	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred
Ore quantity (million tonnes)	13.79	9.58	10.84	13.27	22.33	16.21	0.297	0.256	15.62	1.9
Resources metal quantity										
Copper (tonnes)	173,371	110,900	86,476	110,000	146,030	106,400	1,640	3,040	163,227	15,390
Iron (million tonnes)	3.34	2.41	–	–	–	–	–	–	–	–
Molybdenum (tonnes)	–	–	578	1,860	2,009	3,930	2	35	–	–
Gold (ounce)	255,981	195,000	–	–	–	–	–	–	–	–
Silver (thousand ounce)	3,386	1,660	–	–	–	–	–	–	–	–

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 (2012 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) The annual updates on resource quantities and/or reserves are based on the relevant updates made by the internal experts according to the production consumption and/or new exploration on the basis of historical data.

(3) All resources quantities are estimated based on information as of 31 December 2018 (for Tonglvshan Mine, Fengshan Mine, Tongshankou Mine and Sareke Copper Mine) and 31 December 2016 (for Chimashan Mine). There was no material change in the estimates for Chimashan Mine from 31 December 2016 to 31 December 2018.

Management Discussion and Analysis

Tonglvshan Project Summary

As at 31 December 2018, according to JORC standard, the details of resources and reserves of the Tonglvshan Project are set out below:

Resources and reserves summary (JORC Code)

JORC classification	Copper and Iron			Gold and Silver		
	Quantity (million tonnes)	Cu (%)	Fe (%)	Quantity (million tonnes)	Au gram/ tonne	Ag gram/ tonne
Resources (CuEq>0.5%)						
Indicated	13.79	1.26	24.2	12.54	0.7	8.4
Inferred	9.58	1.2	25.2	7.08	0.9	7.3
Total	**23.37**	**1.22**	**24.5**	**19.62**	**0.7**	**8.1**
Reserves (CuEq>0.90%)						
Probable (in mining licence)	2.84	1.27	19.8	2.84	0.53	5.71
Probable (in exploration licence)	4.70	1.06	23.1	4.70	0.52	8.78
Total Probable	**7.54**	**1.14**	**21.1**	**7.54**	**0.53**	**6.98**

Note:

(1) Please refer to the explanatory notes on page 14 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

Fengshan Project Summary

As at 31 December 2018, according to JORC standard, the details of resources and reserves of the Fengshan Project are set out below:

Resources and reserves summary (JORC Code)

JORC classification	Quantity (million tonnes)	Cu (%)	Mo (%)	Metal Quantity Cu (tonne)	Metal Quantity Mo (tonne)
Resources (CuEq>0.4%)					
Indicated	10.84	0.8	0.005	86,476	578
Inferred	13.27	0.8	0.014	110,000	1,860
Total	**24.11**	**0.8**	**0.010**	**196,476**	**2,438**
Reserves (CuEq>0.58%)					
Probable (in mining license)	4.2	0.94	0.004		
Total Probable	**4.2**	**0.94**	**0.004**		

Note:

(1) Please refer to the explanatory notes on page 14 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

Tongshankou Project Summary

As at 31 December 2018, according to JORC standard, the details of resources and reserves of the Tongshankou Project are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity (million tonnes)	Cu (%)	Mo (%)
Resources				
In licence	Indicated	5.51	0.6	0.011
Open cut area	Inferred	0.11	0.4	0.003
CuEq>0.3%	**Total**	**5.62**	**0.6**	**0.011**
In licence	Indicated	16.76	0.7	0.008
Underground area	Inferred	14.42	0.6	0.023
CuEq>0.4%	**Total**	**31.18**	**0.7**	**0.015**
Out of licence	Indicated	0.06	0.4	0.033
Underground area	Inferred	1.69	0.8	0.040
CuEq>0.4%	**Total**	**1.75**	**0.8**	**0.040**
Total	Indicated	22.33	0.7	0.009
Open cut & underground area	Inferred	16.21	0.7	0.024
In and out of licence	**Total**	**38.54**	**0.7**	**0.015**
Reserves				
Open cut area (CuEq>0.38%)	Probable	4.84	0.57	0.013
Underground area (CuEq>0.61%)	Probable	2.84	0.83	0.005
	Total	**7.68**	**0.67**	**0.011**

Note:

(1) Please refer to the explanatory notes on page 14 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

Management Discussion and Analysis

Chimashan Project Summary

According to JORC standard, the details of resources and reserves of the Chimashan Project 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) Please refer to the explanatory notes on page 14 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

(2) There was no material change in these estimates during the period from 31 December 2016 to 31 December 2018.

Sareke Project Summary

As at 31 December 2018, according to JORC standard, the details of resources and reserves of the Sareke Project are set out below:

Mineral Resources summary (JORC Code)

	JORC Classification	Resources tonnage (million tonnes)	Copper grade (%)	Copper metal (tonnes)
Resources	Indicated	15.62	1.04	163,227
	Inferred	1.9	0.82	15,390
	Total	**17.52**	**1.02**	**178,617**

Minerals reserves summary (JORC Code)

	Elevation (m)	Probable		Metal Quantity
		Tonnage (1,000 tonnes)	Copper (%)	(tonne)
	>=2,900	473	0.96	4,540
	2,790~2,900	699	0.80	5,620
Reserves	2,730~2,790	289	1.05	3,035
	2,670~2,730	3,242	1.52	49,275
	<=2,670	2,516	0.70	17,660
	Total	**7,219**	**1.11**	**80,130**

Note:

(1) Please refer to the explanatory notes on page 14 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

Notes for the above tables:

(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. 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 0.3% copper equivalent, and reported at a cut-off grade of 0.4% copper equivalent for underground operations and 0.3% copper equivalent for open pit operations.

(4) Ore reserves are estimated using minimum cut-off grades of 0.9%, 0.58%, 0.38%, 0.61%, 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 table:

	Tonglvshan	Fengshan	Tongshankou	Chimashan
Copper (RMB/t)	29,083	29,083	29,083	48,935.00
Iron (RMB/t)	399			
Gold (RMB/g)	194.47			235.00
Silver (RMB/g)	2.04			6.00
Molybdenum (RMB/kg)		72.16	72.16	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.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

Description of activities

The following table sets out the various exploration, development and mining production activities of the Group conducted at each of our mines during the year ended 31 December 2018:

Mines	Exploration activities	Development activities	Mining production activities
Tonglvshan Mine	Horizontal drilling reached 4,352.3m/73 holes, and pit drilling reached 1,344.9m/10,650m^3.	The total completed drilling volume of middle portion, sublevel drift and ramps for the development of the -545m to -605m middle portion of Tonglvshan Mine was 43,612m^3 in 2018.	Copper: 9,507 tonnes Gold: 497 kg Silver: 3,702 kg Iron concentrate: 245,500 tonnes
Fengshan Mine	Horizontal drilling reached 3,650m/47 holes, and pit drilling reached 3,039.8m/21,312.3m^3.	The total completed drilling volume of ramps and middle portion for the development of the -440m middle portion of Fengshan Copper Mine was 13,656.93m^3. The completed drilling volume for the development of the -440m to -740m middle portion of Fengshan Copper Mine was 3,502m^3.	Copper: 5,076 tonnes Gold: 120 kg Silver: 4,191 kg Molybdenum: 78 tonnes
Tongshankou Mine	Horizontal drilling reached 1,937.3m/29 holes, and pit drilling reached 622.57m/6,449.19m^3.	The total completed drilling volume of -280m middle portion and sublevel drift for the development of the -220m to -280m middle portion of Tongshankou Mine was 13,409.6m^3.	Copper: 6,389 tonnes Silver: 2,588 kg Molybdenum: 5 tonnes
Chimashan Mine	No significant progress was made in 2018.		
Sareke Copper Mine	1. Horizontal drilling of the pit of the Northern mine reached 5,472.4m/138 holes, and pit drilling reached 635.6m/7,144.5m^3. 2. Horizontal drilling of the Southern mine exploration project reached 3,204.19m/11 holes.	For the Sareke Copper Mine, the total completed drilling volume was 1,657.19m/19,176.96m^3. The accumulative completed drilling volume for the development of the 2,640m middle portion was 1,469.89m/17,229.65m^3. The accumulative completed drilling volume for the development of the 2,670m middle portion was 182.5m/1,778.99m^3. The accumulative completed drilling volume for the development of the 2,730m middle portion was 4.8m/168.32m^3.	Copper: 9,006 tonnes Silver: 7,469 kg

Expenditures incurred

During 2018, we incurred approximately RMB1,476,160,000 (2017: RMB1,630,782,000) on exploration, development and mining production activities, details of which are set out below:

Unit: RMB'000

Mines	Operating expenses	Capital expenditure	2018 Total	2017 Total
Tonglvshan Mine	460,802	137,667	598,469	664,873
Fengshan Mine	186,377	30,891	217,268	230,150
Tongshankou Mine	278,394	106,090	384,484	409,268
Chimashan Mine	9,677	–	9,677	8,343
Sareke Copper Mine	257,389	8,873	266,262	318,148
Total	1,192,639	283,521	1,476,160	1,630,782

Exploration, Development and Mining Expenditures

Unit: RMB'000

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine
Exploration activities					
Drilling and analysis	3,623	1,420	–	–	–
Others	–	–	–	–	265
Sub-total	3,623	1,420	–	–	265
Development activities (including mine construction)					
Purchases of assets and equipment	17,929	4,201	23,902	–	218
Civil work for construction of tunnels and roads	110,670	24,022	74,822	–	8,390
Staff cost	–	–	–	–	–
Others	5,445	1,248	7,366	–	–
Sub-total	134,044	29,471	106,090	–	8,608
Mining activities (including ore processing)					
Auxiliary materials	34,757	12,280	27,569	–	54,901
Power supply	41,929	16,394	24,306	–	10,507
Staff cost	129,512	80,421	60,082	3,768	13,515
Depreciation	112,451	25,421	103,340	–	71,397
Taxes, resource compensation	25,806	12,494	15,863	618	13,100
Sub-contracting service	40,558	8,514	3,203	–	53,411
Others (administrative fees, selling expenses, non-operating expenditures)	75,789	30,853	44,031	5,291	40,558
Sub-total	460,802	186,377	278,394	9,677	257,389
Total	598,469	217,268	384,484	9,677	266,262

Infrastructure projects, subcontracting arrangements and purchases of equipment

During 2018, the new contracts entered into and commitments undertaken by the Group in relation to exploration, development and mining production activities were as follows:

Unit: RMB'000

Mine	Infrastructure projects	Subcontracting arrangements	Purchase of equipment	Total
Tonglvshan Mine	48,895	–	9,232	58,127
Fengshan Mine	12,043	–	3,029	15,072
Tongshankou Mine	44,034	–	3,594	47,628
Chimashan Mine	–	–	–	–
Sareke Copper Mine	8,390	265	218	8,873
Total	113,362	265	16,073	129,700

OPERATING OBJECTIVES AND STRATEGIES IN 2019

The production volume targets of the Group for 2019 include producing 28,610 tonnes of mined copper, 515,000 tonnes of copper cathode, 10 tonnes of gold, 1,000 tonnes of silver, 1,050,000 tonnes of sulphuric acid, 210,000 tonnes of iron concentrate, 25 kg of platinum, 225 kg of palladium, 550 tonnes of nickel sulfate (containing metal), 165 tonnes of crude selenium, 30 tonnes of tellurium, 1,400 tonnes of copper sulfate and 80 tonnes of molybdenum concentrate.

The Group would satisfactorily fulfill all objectives including the following:

1. To enhance operational efficiency by leveraging market-oriented operation mechanism

On mine production, the Group will seek to achieve reasonable production scheduling and optimise its production organisation to achieve balance in mining reserves and production capacity, and the balance between mining and filling and between exploration and mining, in consideration of its overall objectives such as costs, efficiency and employees' salaries.

In terms of smelting production, the Group will seek to enhance facility management to ensure that its facilities operate in a steady and efficient manner. In addition, the Group aims at repair and maintenance no-go within the year for its Ausmelt furnace, to further enhance furnace maintenance as well as fully utilise its capacity.

The Group seeks to refine its precious and rare metal production by raising indices, cutting costs and optimising the management. The Group will also step up its efforts in metal balance management to further raise the recovery rate of all metal types.

2. To closely monitor the progress in mines replacement

The Group is looking to carry out its design for the development of -665m to -725m IV ore bodies at the northern edges of Tonglvshan Mine. The Group will also accelerate the in-depth mining works at -440m to -540m at the southern edges of Fengshan Mine, and strengthen its research on the open pit ecological restoration project, and to resolve issues relating to the discharges of tailings on the later stages of production. The Group is also looking to speed up the development of the middle portion of the Tongshankou Mine at -220m to -280m, the geological exploration of the southern mine at the Sareke Copper Mine and the research on the preliminary stages of development.

3. To strengthen technological breakthrough

The Group will improve the research on and development of safe mining technology and strengthen its core technologies with an emphasis on copper production chain. The Group will also devote greater efforts to the transformation and application of technological breakthroughs and scientific achievements to optimise the smelting production system. The Group is also enhancing its technological innovation works to provide technical support to the Group's production and operation.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

EQUITY

The Company's issued and fully paid share capital as at 31 December 2018 amounted to approximately RMB727,893,000 divided into 17,895,579,706 ordinary shares of HK$0.05 each.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We 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 ended 31 December 2018, the Group's receipts and payments were mainly denominated in RMB.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had restricted and pledged bank deposits, and cash and bank balances of approximately RMB928,275,000 (2017: RMB1,036,097,000), the majority of which were denominated in Renminbi. The Group's current ratio was approximately 1.03 (2017: 1.02), based on current assets of approximately RMB8,364,655,000 (2017: RMB6,805,400,000) divided by current liabilities of approximately RMB8,083,411,000 (2017: RMB6,666,410,000). The Group's gearing ratio as at 31 December 2018 was approximately 449.43% (2017: 339.88%), based on net debts (which included bank and other borrowings and promissory note less restricted and pledged bank deposits, and cash and bank balances) of approximately RMB10,055,826,000 (2017: RMB8,033,756,000) divided by equity attributable to owners of the Company of approximately RMB2,237,461,000 (2017: RMB2,363,712,000). The increase in gearing ratio was attributable to the increase in net debts and the effect of the loss for the year.

As at 31 December 2018, the Group had sufficient funding to pay off all its outstanding liabilities and meet its working capital requirement.

BORROWINGS

As at 31 December 2018, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB10,984,101,000 (2017: RMB9,069,853,000).

As at 31 December 2018, the Group had bank and other borrowings of approximately RMB5,178,212,000 (2017: RMB3,058,032,000) and approximately RMB4,837,197,000 (2017: RMB5,085,477,000) which was due within one year and after one year respectively. The majority of the Group's bank and other borrowings were denominated in Renminbi. The majority of the Group's bank and other borrowings were at fixed interest rate.

FOREIGN EXCHANGE RISK

The Group operates in the PRC with most of its transactions settled in Renminbi 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 and currency option contracts, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts and currency option contracts had been entered by the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

CHARGES ON ASSETS

As at 31 December 2018, other deposits which amounted to approximately RMB69,095,000 (2017: RMB141,414,000) were held in futures exchanges and certain financial institutions as security for the commodities derivative and gold forward contracts, and other financing were secured by bank deposits and balances amounting to approximately RMB66,659,000 (2017: RMB78,985,000).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no contingent liabilities.

Report of the Directors

The directors of the Company (the "Directors") have the pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

BUSINESS REVIEW

A review of the business of the Group during the year as well as a discussion on the Group's future business development are contained in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 6 and pages 17 to 18 respectively of this annual report. A description of the principal risks and uncertainties facing the Company is set out in the section headed "Chairman's Statement" on page 7.

An analysis of the Group's performance during the year using financial key performance indicators, discussions on the Group's environmental policies and performance, compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders, and the organisation and resources of the Group are set out in the paragraphs below:

Financial key performance indicators

The key performance indicators of the Group are as follows:

	2018	2017
Gross Profit Margin	3.07%	2.77%
Debt to Assets Ratio	85.76%	84.07%
Current Ratio	1.03	1.02
Assets Turnover Ratio	1.87	2.10

The Group is managed prudently so that management decisions are focused on long term goals to enable sustainable development and balance amongst stakeholders.

Environmental policies and performance

The Group has fully implemented the instructions given by General Secretary Xi Jinping at the National Conference on Ecological and Environmental Protection by adhering to the problem-oriented principal and keeping promoting the operation of clean production and environmental protection management system in order to complete the targets of each task.

(1) Annual overall target and management objectives were basically achieved

1. Achievement of overall target: There were no incidents of environmental pollution occurred throughout the year. Management of hazardous wastes and radioactive material were in compliance with applicable regulations; waste water and exhaust gas discharge satisfied applicable standards; and the environmental governance task assigned by the Central Environmental Protection Inspectorate was fully completed.

2. Achievement of management objectives: The operation rate of the environmental protection facilities achieved 100%. Recycling rate of waste water discharged from production activities of the mine was 78%. Recycling rate of industrial waste water from smelting and production process reached 98.25%. Each environmental criterion has met the objective requirements throughout the year.

(2) Environmental control has made initial achievements by increased environmental investments

We focused on the promotion of projects such as completion of the exhaust gases system for smelting plant and unorganized emission control of converter for smelting plant. The smoke and gas discharge of converter for smelting plant was further improved on the improvement made in 2017. An electronic defogging system with maximum capacity of 450,000 cubic meters per hour for exhaust gases was established in the smelting plant, leading to gas exhaust being greatly reduced.

Compliance with Laws and Regulations

As the business operation of the Group is mainly located in the PRC, we are subject to the PRC laws and regulations that have material impact on the Group, mainly including the following:

Energy

The Group has vigorously promoted energy conservation and emission reduction through industrial upgrade based on its actual condition in accordance with relevant laws and regulations of the PRC, including the relevant regulations such as Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), Electricity Law of the PRC (《中華人民共和國電力法》), Water Law of the PRC (《中華人民共和國水法》), General Principle for Equipping and Managing of the Measuring Instrument of Energy in Energy-consuming Organization (《用能單位能源計量器具配備和管理通則》) and Norm of Energy Consumption Per Unit Products of Copper Metallurgical Enterprise (《銅冶煉企業單位產品能源消耗限額》).

The laws and regulations on energy clearly stipulate the requirements and standards about the use of energy and provide a basis for the Group to use energy in compliance with laws and regulations. With reference to the requirements of relevant national and industry standards, the Group has implemented full process control of energy consumption through technology upgrade and management improvement with a focus on promoting the energy conservation and consumption deduction of the Group, enhancing the utilization rate of energy and optimizing and innovating energy management methods, which effectively enhanced the work of energy conservation and consumption deduction of the Group. There was no non-compliance with laws and regulations relating to energy by the Group in 2018.

Environmental protection

The Group has launched operating activities, strengthened daily control over hazardous wastes and radioactive material and monitored pollutant in real time in strict compliance with requirements of environmental laws and regulations, such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the PRC Law on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) and the PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水汙染防治法》). There was no material non-compliance with environmental laws and regulations in 2018.

Safety Production

The Group has taken its corporate responsibilities in respect of production safety and has comprehensively promoted the construction of safety risk classification control system and hidden peril investigation and governance system in accordance with requirements of laws, including the PRC Production Safety Law (《中華人民共和國安全生產法》), the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》) and the Law on Mine Safety of the PRC (《中華人民共和國礦山安全法》). There was no material safety production accident of the Group in 2018.

The abovementioned laws and regulations on environmental protection and safety production have provisions of legal responsibilities stipulating the legal consequences upon breach thereof, including orders to cease illegal acts, make corrections within a time limit, set restrictions on production, stop production to take regulation, and imposition of a penalty by the competent administrative authority, and serious incidents shall be reported to the relevant People's Government and might be subject to termination of operations and shutdown orders.

In addition, as a listed company in Hong Kong, the Group is subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Codes on Takeovers and Mergers and Share Buy- backs, Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) etc.

Relationship with customers

Maintaining and consolidating its relationship with customers is crucial to increasing the profits of the Company. When entering into business relationship with customers, the Group has adopted various methods to collect and report their needs and expectations and taken proactive and corresponding measures for improvement. The results of such measures were reviewed and feedbacks were provided to the customers. The main duties include recording verbal feedbacks, opinions, suggestions, complaints or praises of customers when communicating with the customers and conducting a customer satisfaction survey by sending out questionnaires to the customers etc.

The major customers of the Group are large companies, and most of the major customers have established cooperative relationships with the Group for many years. Since the current domestic market of copper cathodes is large and there are many customers, the relevant risks of reliance on major customers are minimal due to the existence of a large number of substitutes in the market.

Relationship with suppliers

On one hand, we will maintain a good relationship with suppliers with a focus on services and addressing issues through cooperation and negotiation as well as sharing cost to create a long-term win-win situation.

On the other hand, we will maintain moderate "competition" with suppliers. As counterparties to transactions, we have had multiple negotiations regarding transaction price due to the parties both being insistent on matters related to their principles. We have established a management mechanism system for suppliers to reduce procurement cost.

Organisation and resources of the Group

To successfully implement the strategies approved by the Board, we must ensure that we have an organisational structure of efficient management and operation, adequate resources and necessary capabilities. Our organisational structure has been continuously optimised to streamline the management functions of the Company, so as to realise the model requirements of highly capable organisational structure, sophisticated business process, optimal resource allocation as well as efficient management and operation, and meet the needs of the Group's strategic development in the near future. The tables below set out the details of the Group's employee distribution as at the end of 2018:

Age				
Below 18	18 to 29	30 to 39	40 to 49	50 or above
–	542	2,450	3,111	620

Gender	
Male	Female
5,557	1,166

Employment Type	
Permanent	Short-term contract
100%	–

In each of our operation areas, the majority of employees are locally recruited in strict compliance with the regulations of the countries (regions) in which we operate. However, operating business domestically and abroad, we also need to allocate core cadre staff to different business areas for reasons including individual development, transfer of know-how and project resource distribution.

The Group is committed to nurturing talents for corporate strategic development with the strategic concept of "thinking about today from the perspective of future" (用未來思考今天) by strictly adhering to the business philosophy of "talent as the top resource" (人才是第一資源) and "focus on the industry, commitment to the principal business and dedication to expertise" (聚焦主業、突出主業、專注專業). The Group made innovations in the talent motivation mechanism of the Company and had administrative measures for remuneration in place targeting core talents to enhance its remuneration incentive for core talents. The Group also developed administrative measures for positions and ranks for better career development of our core management, technical and operation talents.

We are able to attract and retain staff mainly because of our competitive remuneration, comprehensive retirement and medical benefits, appealing vacation provisions and attractive career development opportunities for high performers.

The Group's internal promotion rate is higher than that of external recruitment, reflecting its attractive career development opportunities for employees under its strong management development and succession plans. While the majority of individual development is derived from on-the-job experience, we are also committed to investing in formal training and development programmes, covering specific work skills, general management or supervisory skills and language training. These programmes are either organised internally or provided through external courses and conferences. The table below set out the percentage of employees trained of the Group by gender, as well as the average training hours per employee during the year ended 31 December 2018:

% of employees trained		Average training hours per employee
Male	Female	Number of hours
94.5	85.2	32.6

To support the Group's succession plans, we carried out a number of regular development programmes for the management of the Group to identify successors and other highly potential staff. In addition to their formal training, these programmes also strengthened their personal networks across the Group and exposed participants to a cross-cultural learning environment.

The excellent ability of the Group to retain staff is reflected in its voluntary turnover rate, which is typically lower than the local market average in most of its business segments. The tables below set out the voluntary staff turnover rate of the Group by age group and gender during the year ended 31 December 2018:

Voluntary turnover rate (%)				
Below 18	18 to 29	30 to 39	40 to 49	50 or above
–	0.49	0.35	0.24	0

Voluntary turnover rate (%)		
Male	Female	Overall
0.97	0.11	1.08

To make good use of its talent pool, the Group has deployed its employees by matching their major skills with the needs of its different businesses. Moreover, the Group has recruited and retained employees with valuable experience.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the financial information of the Group for each of the five years ended 31 December 2018 is presented below.

Summary of selected items of consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**30,749,010**	33,529,012	38,915,713	39,361,792	42,808,295
(Loss)/profit for the year attributable to:					
Owners of the Company	**(100,959)**	(97,247)	(163,484)	(976,337)	(95,553)
Non-controlling interests	**14,357**	6,056	(1,268)	(213,888)	(31,016)
Loss for the year	**(86,602)**	(91,191)	(164,752)	(1,190,225)	(126,569)

Summary of selected items of consolidated statement of financial position

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Current assets	**8,364,655**	6,805,400	6,810,935	7,577,245	7,837,227
Non-current assets	**8,607,229**	9,067,141	9,285,156	8,995,000	9,329,377
Total assets	**16,971,884**	15,872,541	16,096,091	16,572,245	17,166,604
Liabilities					
Current liabilities	**8,083,411**	6,666,410	6,644,835	7,467,210	7,494,605
Non-current liabilities	**6,472,459**	6,678,223	6,832,157	6,321,184	5,752,932
Total liabilities	**14,555,870**	13,344,633	13,476,992	13,788,394	13,247,537
	2,416,014	2,527,908	2,619,099	2,783,851	3,919,067
Equity attributable to owners of the Company	**2,237,461**	2,363,712	2,460,959	2,624,443	3,545,771
Non-controlling interests	**178,553**	164,196	158,140	159,408	373,296
	2,416,014	2,527,908	2,619,099	2,783,851	3,919,067

Report of the Directors

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in note 46 to the consolidated financial statements.

The Group's revenue and segment information for the year ended 31 December 2018 are set out in notes 5 and 6 to the consolidated financial statements, respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil). No interim dividend was declared during the year (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2018 is set out in note 36 to the consolidated financial statements.

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2018.

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 of the Company.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had retained profits of RMB2,145,450,000 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 had purchased or sold any of the Company's listed securities.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors

Tan Yaoyu *(Chairman)*
Long Zhong Sheng
Zhai Baojin
Yu Liming *(appointed on 19 June 2018)*

Independent Non-executive Directors

Wang Guoqi
Wang Qihong
Liu Jishun

Pursuant to Bye-law 86(2) of the Bye-laws of the Company, any Director appointed to fill a causal vacancy on the Board shall hold office until the next annual general meeting and shall there be eligible for re-election. Accordingly, Yu Liming shall retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Pursuant to Bye-law 87(2) 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(3) of the Bye-laws of the Company, a retiring Director shall be eligible for re-election. Accordingly, each of Long Zhong Sheng, Wang Guoqi and Wang Qihong shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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 2018, 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 2)
Wang Qihong	Beneficial Owner	Personal	594,000	0.00
	Interest of Spouse	Personal	1,000,000 *(Note 1)*	0.01
Wang Guoqi	Beneficial Owner	Personal	600,000	0.00

Notes:

1. Mr. Wang Qihong is deemed to be interested in 1,000,000 shares through the interests of his spouse, Ms. Geng Shuang, pursuant to Part XV of the SFO.
2. The percentage of shareholding is calculated based on 17,895,579,706 issued shares of the Company as at 31 December 2018.

Save as disclosed above as at 31 December 2018, 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.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SECURITIES

As at 31 December 2018, 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:

Long positions in shares/underlying shares of the Company

Name of Shareholder	Capacity	Number of shares/ underlying shares	Approximate percentage of total shares in issue as at 31 December 2018
China Times Development Limited	Beneficial owner	11,962,999,080 shares	66.85% *(Note 3)*
Daye Nonferrous Metals Group Holding Co., Ltd.	Interest in a controlled corporation	11,962,999,080 shares *(Note 1)*	66.85% *(Note 3)*
China Cinda (HK) Asset Management Co., Limited	Beneficial owner	936,953,542 shares	5.24% *(Note 3)*
China Cinda Asset Management Co., Limited	Interest in a controlled corporation	936,953,542 shares *(Note 2)*	5.24% *(Note 3)*

Notes:

1. These shares were held by China Times Development Limited, the entire issued capital of which were beneficially owned by Daye Nonferrous Metals Group Holding Co., Ltd.

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 17,895,579,706 issued shares of the Company as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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

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 and 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 2018.

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 2018.

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 2018.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, 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 of the Group's revenue was as follows:

– The largest customer	9%
– Five largest customers	32%

The purchases from the Group's major suppliers as a percentage of the Group's purchases was as follows:

– The largest supplier	16%
– Five largest suppliers	48%

At no time during the year ended 31 December 2018 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 interest in the Group's major customers and suppliers disclosed above.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2018, at no time was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONNECTED TRANSACTIONS

The Company entered into various agreements with Daye Nonferrous Metals Group Holding Co., Ltd. (the "Parent Company", together with its subsidiaries, the "Parent Group") and certain of the Company's other connected persons, which were subject to annual review and relevant requirements under Chapter 14A of the Listing Rules. Details of their relationship with the Company are set out below:

Entity	Relationship with the Company
Parent Company	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", together with its subsidiaries, the "CNMC Group")	CNMC is a controlling shareholder of the Company and is therefore 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 Hongbo Nonferrous Metals Trading Company Limited ("Huangshi Hongbo")	Huangshi Hongbo is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.
Jiangsu Weixiang Technology Company Limited ("Jiangsu Weixiang")	Jiangsu Weixiang is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.

A. Financial Services Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group shall provide to the Parent Group deposit services (namely, the placing of deposits by the Group with the Parent Group) and 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, guarantees, integrated credit facilities; bills acceptance and settlement; and such other financial services as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Price of services:	Based on market price with reference to the benchmark interest rates for loans of the same term and similar fees charged by commercial banks for similar services, subject to compliance with applicable laws and regulations.
Deposit and loan amounts:	The maximum daily balance of deposits of the Group placed with the Parent Group must not exceed the maximum daily balance 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.
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.
Annual Caps	For the deposit services: The annual cap for the year of 2017 is RMB619,859,000. The annual cap for the year of 2018 is RMB651,026,000. The annual cap for the year of 2019 is RMB683,192,000.

For the bills acceptance and settlement services:

The annual cap for the year of 2017 is RMB6,900,000.

The annual cap for the year of 2018 is RMB9,600,000.

The annual cap for the year of 2019 is RMB13,400,000.

B. Sales Framework Agreement

Date: 3 November 2016

Parties:
(1) the Company
(2) the Parent Company

Nature of transactions: The Group will supply certain products to the Parent Group, including gold bar, silver/handicraft silver, copper cathodes, copper concentrate, natural gas, residual heat power generating, water, electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools, sulfuric acid, dump truck, waste materials and such other products as agreed by the parties from time to time.

Term: 1 January 2017 to 31 December 2019.

Pricing mechanism: Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price.

If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.

Annual Caps The annual cap for the year of 2017 is RMB13,450,706,000.

The annual cap for the year of 2018 is RMB14,848,027,000.

The annual cap for the year of 2019 is RMB16,694,468,000.

C. Parent Group Purchase and Production Services Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will: (1) supply certain products to the Group, including scrap copper, blister copper, silver, anode plate, industrial cutting gas, liquefied gas, natural gas, copper concentrate, diesel fuel, equipment, wollastonite, gold concentrate and such other products as agreed by the parties from time to time; and (2) provide certain production services to the Group, including repair service, maintenance work, construction engineering, engineering labour, safe production costs, design and construction, technology research and development, processing of anode plates, processing of anode copper scrap, gas delivery management and maintenance, transportation, train loading and unloading, copper warehouse crane maintenance and repair, logistics maintenance services and such other production services as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB6,748,587,000. The annual cap for the year of 2018 is RMB7,812,730,000. The annual cap for the year of 2019 is RMB10,436,997,000.

D. CNMC Group Purchase and Production Services Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) CNMC
Nature of transactions:	The CNMC Group will: (1) supply certain products to the Group, including blister copper, copper concentrate, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools and such other products as agreed by the parties from time to time; and (2) provide certain production services to the Group, including maintenance work, supervision, construction, mine exploration and such other production services as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB1,833,681,000. The annual cap for the year of 2018 is RMB2,298,958,000. The annual cap for the year of 2019 is RMB2,868,592,000.

E. Hongbo Purchase Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) Huangshi Hongbo
Nature of transactions:	Huangshi Hongbo will supply certain products to the Group, including materials, copper concentrate, blister copper and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on (i) the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB344,529,000. The annual cap for the year of 2018 is RMB372,979,000. The annual cap for the year of 2019 is RMB404,896,000.

F. Weixiang Purchase Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) Jiangsu Weixiang
Nature of transactions:	Jiangsu Weixiang will supply certain products to the Group, including materials, blister copper and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on (i) the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the market price.

	If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB244,650,000.
	The annual cap for the year of 2018 is RMB372,384,000.
	The annual cap for the year of 2019 is RMB584,490,000.

G. Hubei Gold Purchase Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company
	(2) Hubei Gold
Nature of transactions:	Hubei Gold will supply certain products to the Group, including copper concentrate and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on (i) the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the market price.
	If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB83,624,000.
	The annual cap for the year of 2018 is RMB97,883,000.
	The annual cap for the year of 2019 is RMB114,441,000.

H. Combined Ancillary Services Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will provide certain products and services to the Group, including advertising, gas delivery management, waste disposal, green conservation, vehicle rental, property management, bathhouse, food and beverage and accommodation, logistics service, mineral water, seedling, telecommunication and repair, water, electricity, telephone charges, property repair, training, materials and such other services as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure, or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB458,792,000. The annual cap for the year of 2018 is RMB488,604,000. The annual cap for the year of 2019 is RMB490,758,000.

I. Services Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group will provide certain services to the Parent Group, including engineering design and surveying, environment monitoring, equipment inspection and examination, research and development, architectural and ore-dressing design, maneuvering wire improvement, technology development, blueprinting, technical consulting and such other services as agreed by the parties from time to time.

Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB10,990,000. The annual cap for the year of 2018 is RMB10,690,000. The annual cap for the year of 2019 is RMB10,540,000.

J. Daye Transportation Purchase Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) Daye Transportation
Nature of transactions:	Daye Transportation will supply certain products to the Group, including tyres, automobile parts and components and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	To be determined by annual tender with reference to the market conditions.
Annual Caps	The annual cap for the year of 2017 is RMB4,814,000. The annual cap for the year of 2018 is RMB4,830,000. The annual cap for the year of 2019 is RMB4,847,000.

K. Land Lease Framework Agreement

Date:	23 December 2011
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will lease certain parcels of land to the Group.
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. The above pricing mechanism is adopted since the parcels of land to be leased by members of the Group from the Parent Group are located around the four mines and the smelting plant in Hubei held by the Group and there is no comparable land in the proximity and no corresponding market rent available for reference.
Annual Caps	The annual cap for the year of 2017 is RMB13,792,000. The annual cap for the year of 2018 is RMB13,792,000. The annual cap for the year of 2019 is RMB13,792,000.

L. Asset Lease Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group will lease certain assets (including properties, vehicles and warehouses) to the Parent Group, and also guarantee that the Parent Group will have the exclusive right to use such assets during the term of the Asset Lease Framework Agreement. The Parent Group will lease certain assets (including sulfuric acid tank trucks, circulating water pump station, university student apartments, properties and production line (including properties and equipment)) to the Group, and also guarantee that the Group will have the exclusive right to use such assets during the term of the Asset Lease Framework Agreement.
Term:	1 January 2017 to 31 December 2019.

Pricing Mechanism:	Based on an at cost basis taking into account the amount of depreciation of the relevant asset, taxes relating to the lease and for properties with high asset value only, the capital occupation fee (determined with reference to the benchmark interest rate for 3 year term loans quoted by the People's Bank of China).
Annual Caps	For the Group's lease of assets to the Parent Group: The annual cap for the year of 2017 is RMB18,502,000. The annual cap for the year of 2018 is RMB18,502,000. The annual cap for the year of 2019 is RMB18,502,000. For the Parent Group's lease of assets to the Group: The annual cap for the year of 2017 is RMB23,704,000. The annual cap for the year of 2018 is RMB24,142,000. The annual cap for the year of 2019 is RMB24,178,000.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmation from the Independent Non-Executive Directors

The independent non-executive Directors confirmed that the internal control procedures put in place by the Company are adequate and effective.

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 or better, 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.

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 (Revised) "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 their attention that causes them 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 their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

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

d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the relevant annual cap.

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 AND REMUNERATION POLICY

As at 31 December 2018, the Group had 6,723 employees (2017: 7,253). The Group's total staff costs for the year was approximately RMB714,250,000 (2017: RMB815,432,000). The remuneration package of staff consists of basic salary, mandatory provident fund, insurances and other benefits as 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.

The emoluments of the Directors 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 the Directors' duties, abilities, reputation and performance.

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 2018 and as of the date of this report.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the reporting period.

AUDITOR

Messrs. Deloitte Touche Tohmatsu ("Deloitte") was appointed as the auditor of the Company for the year ended 31 December 2018. Deloitte will retire and being eligible, offer themselves for re-appointments 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.

On behalf of the Board
Tan Yaoyu
Chairman
29 March 2019

Corporate Governance Report

The Company recognizes 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 2018 under different aspects.

CG CODE COMPLIANCE

For the year ended 31 December 2018, the Company had complied with the code provisions of the CG Code except for deviation 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 were not appointed for a specific term under 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of conduct regarding securities transactions by the directors of the Company. All Directors have confirmed, following specific enquiries made by the Company, that they had complied with the required standard set out in the Model Code during the year ended 31 December 2018.

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		
Tan Yaoyu *(Chairman)*	22 March 2012	28 May 2018
Long Zhong Sheng *(Chief Executive Officer)*	22 March 2012	12 June 2017
Zhai Baojin	22 March 2012	28 May 2018
Yu Liming	19 June 2018	N/A
Independent Non-Executive Director		
Wang Qihong	13 January 2006	12 June 2017
Wang Guoqi	13 January 2006	12 June 2017
Liu Jishun	31 July 2014	12 June 2017

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 2018, 4 Board meetings and 1 general meeting 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:

Name of Director	No. of meetings attended/ Eligible to attend Board meeting	 General meeting
Executive Director		
Tan Yaoyu *(Chairman)*	4/4	1/1
Long Zhong Sheng *(Chief Executive Officer)*	4/4	1/1
Zhai Baojin	4/4	1/1
Yu Liming *(appointed on 19 June 2018)*	1/1	N/A
Independent Non-Executive Director		
Wang Qihong	4/4	1/1
Wang Guoqi	4/4	1/1
Liu Jishun	4/4	1/1

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 providing 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 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 2018, the Company provided training materials to the Directors and the management of the Company regarding the Listing Rules and other applicable regulatory requirements.

A summary of the trainings participated by the Directors during the year ended 31 December 2018 is as follows:

Name of Director	Mode of Continuous Professional Development Training Reading materials and/ or attending seminars
Executive Director	
Tan Yaoyu	✓
Long Zhong Sheng	✓
Zhai Baojin	✓
Yu Liming	✓
Independent Non-Executive Director	
Wang Guoqi	✓
Wang Qihong	✓
Liu Jishun	✓

Permitted Indemnity Provisions

During the financial year ended 31 December 2018 and up to the date of this Report, the Company has in force indemnity provisions under its Bye-laws as permitted under applicable laws.

The Company has appropriate liability insurance in place to indemnify all the Directors for the liabilities arising out of the corporate activities to the extent permissible under applicable laws. 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. Tan Yaoyu, and those of the Chief Executive Officer, Mr. Long Zhong Sheng, are segregated in order to reinforce their independence and accountability.

Mr. Tan Yaoyu 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 2018, 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 Directors a written confirmation of his independence and the Board considers all of them, namely Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Liu Jishun, to be independent pursuant to Rule 3.13 of the Listing Rules.

COMPANY SECRETARY

The Company Secretary, Mr. Lau Pok Yuen, 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 2018, the Company Secretary had taken no less than 15 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.

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			
Tan Yaoyu *(Chairman)*	–	–	Chairman
Long Zhong Sheng	–	–	–
Zhai Baojin	–	–	–
Yu Liming *(appointed on 19 June 2018)*	–	–	–
Independent Non-Executive Director			
Wang Guoqi	Chairman	Chairman	Member
Wang Qihong	Member	Member	Member
Liu Jishun	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, allowance and discretionary bonus.

Salary adjustments are made where the 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.

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

The following table shows the breakdown of the Directors' remuneration for the year ended 31 December 2018:

		Other emoluments			
	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Bonus RMB'000	Total RMB'000
2018					
Executive Directors					
Mr. Tan Yaoyu	–	528	43	–	571
Mr. Long Zhong Sheng	925	149	59	–	1,133
Mr. Zhai Baojin	–	529	43	–	572
Mr. Yu Liming *(appointed on 19 June 2018)*	–	135	23	–	158
Independent Non-executive Directors					
Mr. Wang Guoqi	88	–	–	–	88
Mr. Wang Qihong	88	–	–	–	88
Mr. Liu Jishun	88	–	–	–	88
	1,189	1,341	168	–	2,698

During the year ended 31 December 2018, the Remuneration Committee held 1 meeting. The Remuneration Committee determined the policy for the remuneration of executive Directors, made recommendations to the Board on the remuneration of 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
Liu Jishun	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.

Also, the Company recognizes and embraces the benefits of having a diverse Board. As such, 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. However, the Board has not set any measurable objectives for implementing the Board Diversity Policy at present. 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.

During the year ended 31 December 2018, the Nomination Committee held 1 meeting. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and also the policy for the nomination of Directors during the year.

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
Tan Yaoyu	Executive Director	Chairman	1/1
Wang Guoqi	Independent non-executive Director	Member	1/1
Wang Qihong	Independent non-executive Director	Member	1/1
Liu Jishun	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
Liu Jishun	Independent non-executive Director	Member	2/2

During the year ended 31 December 2018, the Audit Committee reviewed with the management the annual results, 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.

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 2018. 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 2018, Deloitte was appointed as the Group's auditor until the conclusion of next annual general meeting. The remuneration paid and payable to Deloitte in respect of their audit and non-audit services were as follow:

	2018 RMB'000
Audit Services	3,079
Non-audit Services	770
Total	3,849

The above non-audit services mainly included the review of the Group's interim report for the six months ended 30 June 2018.

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.

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 2018, 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the effectiveness of the Group's risk management and internal control systems. The risk management and 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.

The Group has established an on-going process for identifying, evaluating and managing the significant risks of the Group. The top down risk assessment approach performed by the Board is complemented by a bottom up approach of significant risks reported by different departments and business units. The results of evaluation of significant risks by different departments and business units will be reported to the management through internal meetings. The Board will discuss and consider the responses on the identified significant risks.

The Group has established procedures on disclosure of inside information to ensure that inside information is promptly identified, assessed and submitted, where appropriate, for the attention of the Board. Only personnel at appropriate level can get reach of the inside information. In case of the occurrence of any inside information that needs to be disclosed, the Board will assess the inside information and go through the relevant approval procedure before disclosing the information.

The Group's internal audit function is performed by the internal audit department of the Parent Group due to cost-saving. It is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control and risk management systems.

The Audit Committee conducted a review on the effectiveness of the internal control and risk management systems and procedures of the Group on an annual basis. During the year ended 31 December 2018, the Audit Committee was satisfied that the Company's internal control and risk management systems are effective and 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 reports, the Board is of the view that the internal controls of the Group are adequate and in compliance with the code provisions on internal control as set out in the Listing Rules.

INVESTOR AND SHAREHOLDER RELATIONS

Dividend policy

In determining whether dividends are to be declared and paid, the Company will review and consider the following factors:

- prevailing and projected profitability of the Group;
- general business conditions and future expansion needs of the Group;
- the Group's capital requirements;
- projected operating cash flows of the Group; and
- other relevant factors.

Communication with Shareholders and Investors

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders 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 a 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 releases and 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 on the website of 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; and
- disclosing information on a time basis via the Company's and Stock Exchange's website.

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.

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 Secretary of 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 Secretary of 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:
Mr. Lau Pok Yuen
Suite No. 10B, 16/F
Tower 3, China Hong Kong City
China Ferry Terminal
33 Canton Road, Kowloon
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.

Deloitte. 德勤

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

Opinion

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 59 to 158, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment, prepaid lease payments and mining rights attributable to a copper mine	
We identified the impairment assessment of property, plant and equipment, prepaid lease payments and mining rights attributable to a copper mine located in Xinjiang, the People's Republic of China, held by the Group as a key audit matter due to the significance of the balances of these assets, and of management judgements in respect of forecasts of copper price and sales volume, and discount rate adopted as part of the impairment review as disclosed in Note 4 to the consolidated financial statements. The Group conducted an impairment review of these assets by assessing the recoverable amount of these assets based on a value-in-use calculation of the relevant cash-generating unit ("CGU"). As disclosed in Note 16 to the consolidated financial statements, the Group recognised an impairment loss on these assets in prior years. The aggregate carrying amount of these assets as at 31 December 2018 is RMB1,037,989,000. Any further impairment loss or reversal of impairment loss could have a significant financial impact on the consolidated financial statements.	Our procedures in relation to impairment assessment of property, plant and equipment, prepaid lease payments and mining rights attributable to the copper mine included: • Understanding the internal controls relevant to the impairment assessment of property, plant and equipment, prepaid lease payments and mining rights attributable to such copper mine; • Comparing copper price and sales volume used in the value-in-use calculation to industry forecasts of copper price and the CGU's historical sales volume data, respectively; and • Evaluating the reasonableness of the valuation methodology and discount rate used in determining the recoverable amount of the relevant CGU, with the assistance of our internal valuation specialists.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tung Wai Lung Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5, 6	**30,749,010**	33,529,012
Cost of sales and services rendered	12	**(29,806,274)**	(32,601,797)
Gross profit		**942,736**	927,215
Other income	7	**75,704**	81,528
Selling expenses		**(64,394)**	(76,603)
Administrative expenses		**(325,692)**	(352,600)
Other operating expenses		**(111,488)**	(198,591)
(Impairment losses)/reversal of impairment losses, net	8	**(1,651)**	892
Other gains and losses	9	**(121,132)**	(39,956)
Finance costs	10	**(424,571)**	(404,131)
Share of results of joint ventures		**(15,962)**	(7,284)
Loss before tax		**(46,450)**	(69,530)
Income tax expenses	11	**(40,152)**	(21,661)
Loss and total comprehensive expense for the year	12	**(86,602)**	(91,191)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(100,959)**	(97,247)
Non-controlling interests		**14,357**	6,056
		(86,602)	(91,191)
Loss per share	15		
– Basic		**RMB(0.56)fen**	RMB(0.54)fen
– Diluted		**RMB(0.56)fen**	RMB(0.54)fen

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	At 31 December 2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**7,045,432**	7,346,061
Exploration and evaluation assets	17	**49,479**	44,294
Prepaid lease payments	18	**676,764**	698,534
Intangible assets	19	**623,545**	666,249
Investments in joint ventures	20	**–**	41,254
Deferred tax assets	21	**121,738**	160,359
Other deposits	24	**46,916**	71,390
Restricted bank deposits	27	**43,355**	39,000
		8,607,229	9,067,141
CURRENT ASSETS			
Prepaid lease payments	18	**21,611**	21,451
Inventories	22	**5,079,176**	4,813,802
Trade and bills receivables	23	**745,415**	518,557
Other deposits	24	**69,095**	141,414
Prepayments and other receivables	25	**1,444,472**	295,834
Derivative financial instruments	26	**119,966**	17,245
Restricted and pledged bank deposits	27	**23,304**	39,985
Cash and bank balances	27	**861,616**	957,112
		8,364,655	6,805,400
CURRENT LIABILITIES			
Trade and bills payables	28	**1,903,197**	2,484,878
Other payables and accrued expenses	29	**815,115**	1,034,416
Contract liabilities	30	**82,398**	–
Bank and other borrowings	31	**5,178,212**	3,058,032
Derivative financial instruments	26	**58,108**	50,734
Early retirement obligations	35	**44,850**	38,350
Current income tax liabilities		**1,531**	–
		8,083,411	6,666,410
NET CURRENT ASSETS		**281,244**	138,990
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,888,473**	9,206,131

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	At 31 December 2018 RMB'000	2017 RMB'000
CAPITAL AND RESERVES			
Share capital	36	**727,893**	727,893
Share premium and reserves		**1,509,568**	1,635,819
Equity attributable to owners of the Company		**2,237,461**	2,363,712
Non-controlling interests		**178,553**	164,196
TOTAL EQUITY		**2,416,014**	2,527,908
NON-CURRENT LIABILITIES			
Other payables	29	**287,855**	312,735
Bank and other borrowings	31	**4,837,197**	5,085,477
Promissory note	33	**968,692**	926,344
Provision for mine rehabilitation, restoration and dismantling	32	**45,407**	44,085
Deferred income	34	**189,768**	206,492
Early retirement obligations	35	**143,540**	103,090
		6,472,459	6,678,223
		8,888,473	9,206,131

The consolidated financial statements on pages 59 to 158 were approved and authorised for issue by the Board of Directors on 29 March 2019 and are signed on its behalf by:

Tan Yaoyu
DIRECTOR

Long Zhong Sheng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Equity attributable to owners of the Company										
	Share capital RMB'000	Other reserve RMB'000 (Note (iii))	Share premium RMB'000	Contributed surplus RMB'000 (Note (i))	Capital reserve RMB'000 (Note (ii))	Statutory reserves RMB'000 (Note (iv))	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	727,893	1,554,303	124,592	4,373,075	(4,184,848)	106,600	5,876	(246,532)	2,460,959	158,140	2,619,099
(Loss)/profit and total comprehensive (expense)/income for the year	–	–	–	–	–	–	–	(97,247)	(97,247)	6,056	(91,191)
Appropriation of maintenance and production funds	–	–	–	–	–	62,194	–	(62,194)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(56,779)	–	56,779	–	–	–
At 31 December 2017	727,893	1,554,303	124,592	4,373,075	(4,184,848)	112,015	5,876	(349,194)	2,363,712	164,196	2,527,908
Adjustments (Note 2)	–	–	–	–	–	–	–	(25,292)	(25,292)	–	(25,292)
At 1 January 2018 (as restated)	**727,893**	**1,554,303**	**124,592**	**4,373,075**	**(4,184,848)**	**112,015**	**5,876**	**(374,486)**	**2,338,420**	**164,196**	**2,502,616**
(Loss)/profit and total comprehensive (expense)/income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(100,959)**	**(100,959)**	**14,357**	**(86,602)**
Appropriation of maintenance and production funds	**–**	**–**	**–**	**–**	**–**	**67,169**	**–**	**(67,169)**	**–**	**–**	**–**
Utilisation of maintenance and production funds	**–**	**–**	**–**	**–**	**–**	**(63,733)**	**–**	**63,733**	**–**	**–**	**–**
At 31 December 2018	**727,893**	**1,554,303**	**124,592**	**4,373,075**	**(4,184,848)**	**115,451**	**5,876**	**(478,881)**	**2,237,461**	**178,553**	**2,416,014**

Notes:

(i) In accordance with the provisions of Section 46(2) of the Companies Act of Bermuda and with effect from 10 June 1993, 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 credited to the contributed surplus of the Company during the year ended 31 December 2013.

(ii) The balance of capital reserve mainly arose from the group reorganisation in 2012.

(iii) Other reserve represents the deemed contribution from a then shareholder during the group reorganisation in 2012.

(iv) Statutory reserves comprise statutory surplus reserve and specific reserve for maintenance and production funds.

Statutory surplus reserve

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 prepared in accordance with relevant PRC accounting standards (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 subsidiary 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 shareholder.

Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations, provision for production maintenance, production safety and other related expenditures are accrued by the Group at fixed rates based on production volume or operating revenues (the "maintenance and production funds"). The Group is required to make a transfer for the provision of maintenance and production funds from retained profits/accumulated losses to a specific reserve. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained profits/accumulated losses.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December 2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(46,450)**	(69,530)
Adjustments for:		
Interest income	**(37,651)**	(42,957)
Finance costs	**424,571**	404,131
Share of results of joint ventures	**15,962**	7,284
Exchange losses/(gains), net	**72,995**	(52,417)
Depreciation and amortisation	**690,241**	669,368
Additional provision for early retirement obligations	**96,580**	186,700
Loss on disposal of property, plant and equipment, net	**42,414**	601
Gain on disposal of prepaid lease payments	**–**	(212)
Impairment losses/(reversal of impairment losses), net:		
Trade receivables	**383**	(23)
Other receivables	**1,268**	(869)
(Gains)/losses on fair value changes in respect of:		
Commodity derivatives contracts	**(10,856)**	12,951
Currency forward contracts	**(5,136)**	26,939
Currency option contracts	**(8,468)**	26,369
Gold forward contracts	**(110,152)**	(195,329)
Gold loans designated as financial liabilities at fair value through profit or loss	**155,960**	211,842
Fair value gain on derivative component of convertible note	**–**	(1)
Actuarial (gains)/losses recognised during the year	**(1,735)**	19,617
Write-down of inventories	**29,005**	8,728
Deferred income recognised	**(20,922)**	(18,459)
Operating cash flows before movements in working capital	**1,288,009**	1,194,733
Increase in inventories	**(294,379)**	(15,783)
Decrease in derivative financial instruments, net	**39,265**	34,145
Increase in trade and bills receivables	**(227,241)**	(94,660)
Decrease/(increase) in prepayments and other receivables	**81,869**	(31,704)
(Decrease)/increase in trade and bills payables	**(581,681)**	452,696
Increase in other payables and accrued expenses	**38,813**	161,405
Decrease in contract liabilities	**(17,998)**	–
Decrease/(increase) in other deposits	**67,248**	(112,973)
Benefits paid for early retirement obligations	**(55,875)**	(84,747)
CASH GENERATED FROM OPERATIONS AND OPERATING ACTIVITIES	**338,030**	1,503,112

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December 2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**28,147**	26,263
Payments for property, plant and equipment	**(516,772)**	(478,108)
Payments for exploration and evaluation assets	**(10,291)**	(25,920)
Payments for intangible assets	**(3,013)**	(31,330)
Payments for prepaid lease payments	**–**	(29,581)
Proceeds from disposal of property, plant and equipment	**53,929**	3,251
Proceeds from disposal of prepaid lease payments	**–**	2,768
Receipts of government grants	**6,310**	–
Loans to a joint venture	**(85,000)**	–
Repayments from joint ventures	**2,044**	70,487
Increase in short-term advances to Daye Nonferrous Metals Group Holding Co., Ltd ("Daye Group", an intermediate holding Company of the Company)	**(1,143,670)**	–
Placement of restricted and pledged bank deposits	**(628,731)**	(1,384,697)
Release of restricted and pledged bank deposits	**645,412**	1,351,962
Payments for short-term investments	**–**	(500,000)
Proceeds from disposal of short-term investments	**–**	515,370
NET CASH USED IN INVESTING ACTIVITIES	**(1,651,635)**	(479,535)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new bank borrowings	**9,742,673**	6,500,386
Repayments of bank borrowings	**(8,221,745)**	(7,079,941)
Repayments of other loans	**(1,000)**	(1,000)
Advance from Daye Group	**2,520**	456,568
Repayments to Daye Group	**(781,313)**	(497,102)
Advance from Daye Nonferrous Metals Group Finance Co., Ltd ("Daye Finance Company", a fellow subsidiary of the Company)	**357,200**	340,000
Repayment to Daye Finance Company	**(340,000)**	(390,000)
Proceeds from gold loans	**4,036,933**	2,893,475
Repayments of gold loans	**(3,249,534)**	(3,038,965)
Advance from a fellow subsidiary	**472,794**	230,620
Repayments to a fellow subsidiary	**(412,260)**	(212,825)
Advance from a joint venture	**727**	–
Repayments to a joint venture	**–**	(1,152)
Finance costs paid	**(388,612)**	(378,580)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**1,218,383**	(1,178,516)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(95,222)**	(154,939)
Cash and cash equivalents at the beginning of the year	**957,112**	1,116,752
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(274)**	(4,701)
Cash and cash equivalents at the end of the year	**861,616**	957,112
REPRESENTED BY:		
Cash and bank balances	**861,616**	957,112

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the address of the principal place of business of the Company is 18th Floor, 8 Queen's Road Central, Central, Hong Kong.

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 of the Company is China Nonferrous Metal Mining (Group) Co., Ltd., a state-owned enterprise established in the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

Except as described below, the application of the new and amendments to 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

The Group recognises revenue from the mining and processing of mineral ores and selling/trading of metal products.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in Notes 5 and 3, respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	**Carrying amounts under HKFRS 15 at 1 January 2018* RMB'000**
Other payables and accrued expenses	1,034,416	(100,396)	**934,020**
Contract liabilities	–	100,396	**100,396**

* The amounts in this column are before the adjustments from the application of HKFRS 9.

As at 1 January 2018, receipts in advances from customers of RMB100,396,000 in respect of sales contracts previously included in other payables and accrued expenses were reclassified to contract liabilities on the face of the consolidated statement of financial position.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

The following table summaries the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Other payables and accrued expenses	815,115	82,398	897,513
Contract liabilities	82,398	(82,398)	–

HKFRS 9 Financial Instruments and the related amendments

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

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments and the related amendments (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Investments in joint ventures RMB'000	Accumulated losses RMB'000
Opening balance at 31 December 2017 – HKAS 39	41,254	(349,194)
Effect arising from initial application of HKFRS 9		
Remeasurement for impairment under ECL model (note)	(25,292)	(25,292)
Opening balance at 1 January 2018	15,962	(374,486)

Note:

The effect arising from the initial application of HKFRS 9 by joint ventures in respect of ECL provision for the respective financial assets at amortised cost, which consequently resulted in remeasurement loss recognised by the Group through equity accounting. The effect on 1 January 2018 was a decrease in the carrying amounts of investments in joint ventures of RMB25,292,000 with corresponding adjustments to accumulated losses by RMB25,292,000.

Upon initial application of HKFRS 9, the Group's trade receivables under provisionally priced sales arrangements were reclassified as trade receivables at fair value through profit or loss ("FVTPL") and are measured in its entirety as at FVTPL because the cash flows of these receivables do not represent solely payments of principal and interest on the principal amount outstanding. However, the fair value of the embedded commodity derivative component arising from the provisionally priced sales arrangements as at 31 December 2017 is insignificant.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on opening consolidated statement of financial position arising from the application of all new standards and amendments

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item affected.

	At 31 December 2017 RMB'000 (Audited)	HKFRS 15 RMB'000	HKFRS 9 RMB'000	**At 1 January 2018 RMB'000 (Restated)**
Non-current assets				
Investments in joint ventures	41,254	–	(25,292)	**15,962**
Current liabilities				
Other payables and accrued expenses	1,034,416	(100,396)	–	**934,020**
Contract liabilities	–	100,396	–	**100,396**
Capital and reserves				
Accumulated losses	(349,194)	–	(25,292)	**(374,486)**
Total equity	2,527,908	–	(25,292)	**2,502,616**

For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.2 New and amendments to HKFRSs in issue but not yet effective

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

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

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

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

HKFRS 16 Leases

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

2.2 New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases (Continued)

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB267,870,000 as disclosed in Note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Upon application of HKFRS 16, the Group will apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated losses without restating comparative information.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 (the "Listing Rules") 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 at the end of the reporting period, 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 and services.

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 *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, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a 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. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress, which represents assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation of mining infrastructure and property is calculated using the units-of-production method based on the estimated proven and probable mineral reserves.

Depreciation for other property, plant and equipment is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives using the straight-line method 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 estimated residual values, useful lives and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditures

The Group capitalises only expenditures directly attributable to exploration and evaluation activities, including acquisition of exploration 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.

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

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 mining rights under "Intangible assets". 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 also performed if any of the following indicators are present (the list is not exhaustive):

- the period for which the Group 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 Group 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.

An impairment loss is recognised when the carrying amount exceeds its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately 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 estimated useful lives of 10 to 30 years, which is the shorter of the length of the licence period and the estimated useful lives of relevant mines determined based on the estimated mineral reserves. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 to 10 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.

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 acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

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 relevant 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 asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets (Continued)

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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable); its value in use (if determinable); and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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 immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products will exceed net realisable value, the materials are written down to net realisable value.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement.

An arrangement that involves a legal form of a lease is not, in substance, accounted for as a lease if:

(a) the Group retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;

(b) the primary reason for the arrangement is not to convey the right to use an asset; and

(c) an option is included on terms that make its exercise almost certain.

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Provision for 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 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 are provided for at their net present values and charged to profit or loss 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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets of the Group that do not meet the criteria for being measured at amortised cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets at amortised cost which are subject to impairment under HKFRS 9 and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables measured at amortised cost. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full without taking into account any collaterals held by the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial assets measured at amortised cost by adjusting their carrying amount, with the exception of trade receivables and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified into the following specified categories: financial assets at FVTPL 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (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 term; 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 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 dividend or interest earned on the financial assets and is included in the "Other gains and losses" line item. Fair value is determined in the manner described in Note 38.

Loans and receivables

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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 financial assets have been affected.

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 re-organisation.

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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or an 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.

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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt 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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a 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.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9/HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, 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 recognised 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 attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Gold loans are designated as financial liabilities as FVTPL at initial recognition.

Prior to application of HKFRS 9 on 1 January 2018, financial liabilities designated as at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability and is included in the "other gains and losses" line item.

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of HKFRS 9 on 1 January 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity 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.

Embedded derivatives (under HKFRS 9 since 1 January 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Embedded derivatives (before application of HKFRS 9 on 1 January 2018)

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

Derecognition

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

The Group sells copper products under provisional pricing arrangements where final grades of copper, gold, silver and cobalt in copper products are agreed based on third-party examination and final prices are set at a specified date based on market prices. Revenues are recognised using forward prices for the expected date of final settlement. The period between revenue recognition and final settlement is within one to three months.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, and is shown net of value-added tax.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

Service income from the rendering of copper processing services is recognised when services are provided.

Rental income in respect of properties under operating leases is recognised on a straight-line basis over the respective lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. 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.

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

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on 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 on 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.

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/loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and 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 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 is 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

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 obligations

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 obligation when the Group can no longer withdrew the offer of the early retirement. 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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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 on-going 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.

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 within the next financial year.

Estimated impairment of property, plant and equipment, prepaid lease payments and mining rights

Property, plant and equipment, prepaid lease payments and mining rights, are stated at costs less accumulated depreciation/amortisation and impairment, as appropriate. The Directors review for their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset (or a cash-generating unit) exceeds its recoverable amount. The recoverable amount has been determined based on a value-in-use calculation.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the fair value less costs of disposal or the value in use, i.e. the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. 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 assets belong.

Changing the assumptions selected by the management including forecasts of copper price and sales volume, and discount rate to determine the level of impairment could materially affect the net present value used in the impairment test.

In prior years, in view of the unfavourable future prospects of a copper mine held by Xinjiang Hui Xiang Yong Jin Mining Co., Ltd., a subsidiary of the Group, the management of the Group conducted impairment testing for the non-current assets attributable to this copper mine (the "CGU"). An aggregate impairment of RMB483,362,000 was made for these assets to reduce the carrying amount of the CGU to its recoverable amount based on a value-in-use calculation of the CGU. Further details are set out in Note 16. In determining whether there is indication that the CGU has suffered a further impairment loss or the event previously causing the impairment no longer exists in the current year, the management of the Group has to exercise judgement and make estimation. Based on the management's estimation of the recoverable amount of CGU as at 31 December 2018, no further impairment loss or reversal of impairment loss is recognised in the current year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Realisability of deferred tax assets

At 31 December 2018, deferred tax assets of RMB121,738,000 (2017: RMB160,359,000) mainly in relation to impairment losses, unpaid salary and provision of early retirement obligations were recognised. Further details are contained in Note 21. The realisability of the deferred tax assets mainly depends on whether sufficient taxable profits or taxable temporary differences will be available in the future. The Directors determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the relevant subsidiaries for coming years during which the deferred tax assets are expected to be utilised. The Directors will review the assumptions and profit projections by the end of each reporting period. In cases where the actual future profits generated are less or more than expected resulting from revision of estimated future profits, a reversal or further provision of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further provision takes place.

Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditures requires determination 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 changes and new information become 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 is detailed in Note 17.

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective estimation 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 is detailed in Note 16.

5. REVENUE

5.1 For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers for the year ended 31 December 2018

	RMB'000
Sales of goods	**30,694,020**
Rendering of services	**54,990**
	30,749,010
Timing of revenue recognition:	
A point in time	**30,694,020**
Over time	**54,990**
	30,749,010

Performance obligations for contracts with customers

The Group sells non-ferrous metals and other materials directly to external customers and revenue is recognised when control of goods has transferred to the customers, being when the goods have been delivered to the customers. The majority of sales are made under contractual arrangements whereby a significant portion of transaction price of each sale is received before delivery or promptly after delivery. The advance payments received from customers are recorded as contract liabilities until the control of the goods is transferred to the customers.

Transaction price allocated to the remaining performance obligation for contracts with customers

Contracts for rendering of services are typically have a 1-year non-cancellable term in which the Group bills based on the value of services rendered. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has a right to invoice.

All other contracts are for periods of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5.2 An analysis of the Group's revenue for the year ended 31 December 2017 is as below:

	RMB'000
Sales of goods	33,456,125
Rendering of services	72,887
	33,529,012

6. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The CODM of the Company reviews revenue by respective products and services and the consolidated financial statements of the Group prepared in accordance with HKFRSs as a whole. However, no further discrete financial information is available. Accordingly, no operating segment information is presented other than entity-wide disclosures.

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Sales of goods:		
Copper cathodes	**23,633,368**	24,538,613
Other copper products	**274,042**	694,625
Gold and other gold products	**2,699,093**	3,825,024
Silver and other silver products	**3,417,266**	3,820,342
Sulphuric acid and sulphuric concentrate	**228,203**	197,976
Iron ores	**135,685**	112,648
Others	**306,363**	266,897
	30,694,020	33,456,125
Rendering of services:		
Copper processing	**44,151**	61,408
Others	**10,839**	11,479
	54,990	72,887
Total revenue	**30,749,010**	33,529,012

Geographical information

The Group operates in three principal geographical areas – the PRC, Hong Kong and The Republic of Mongolia ("Mongolia"). The Group's information about its non-current assets (excluding deferred tax assets and financial instruments) by location of assets are detailed below:

	Non-current assets at 31 December	
	2018	2017
	RMB'000	RMB'000
PRC	**8,416,388**	8,825,933
Hong Kong	**25,626**	41,675
Mongolia	**122**	174
	8,442,136	8,867,782

6. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

The Group's revenue from external customers by location of customers are detailed below:

	Revenue from external customers for the year ended 31 December	
	2018	2017
	RMB'000	RMB'000
PRC	**28,914,452**	31,736,447
Hong Kong	**399,814**	605,138
Others	**1,434,744**	1,187,427
	30,749,010	33,529,012

Information about major customers

Details of customers of the corresponding years contributing over 10% or more of the total revenue are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Customer A – in respect of sales of gold	**N/A***	3,790,775

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest income from banks	**20,981**	32,483
Interest income from Daye Group	**2,732**	–
Interest income from Daye Finance Company	**9,084**	9,942
Interest income from a joint venture	**4,854**	532
Government grants (Note)	**4,241**	5,479
Deferred income recognised (Note 34)	**20,922**	18,459
Others	**12,890**	14,633
	75,704	81,528

Note: The government grants in the current and prior year mainly represented subsidies for research and development expenses of which the relevant expenses had been previously charged to profit or loss.

8. IMPAIRMENT LOSSES/(REVERSAL OF IMPAIRMENT LOSSES), NET

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Impairment losses/(reversal of impairment loss), net, on:		
Trade receivables – goods and services	**383**	(23)
Other receivables	**1,268**	(869)
	1,651	(892)

9. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment, net	**(42,414)**	(601)
Gain on disposal of prepaid lease payments	**–**	212
Fair value changes from:		
Commodity derivatives contracts	**10,856**	(12,951)
Currency forward contracts	**5,136**	(26,939)
Currency option contracts	**8,468**	(26,369)
Gold forward contracts	**110,152**	195,329
Gold loans designated as financial liabilities at FVTPL	**(155,960)**	(211,842)
Fair value gain on derivative component of convertible note (Note (a))	**–**	1
Exchange (losses)/gains, net	**(57,008)**	78,726
Other losses (Note (b))	**(362)**	(35,522)
Total other gains and losses	**(121,132)**	(39,956)

Notes:

(a) The amount in the prior year represented fair value changes of the conversion option attached to a convertible note in the aggregate principal amount of HK$1,003,836,048 (the "Note") issued to China Times Development Limited ("China Times"), the immediate holding company of the Company, in relation to a restructuring arrangement of the Group in 2012. The Note matured on 7 March 2017 and was redeemed in full by the issuance of a promissory note by the Company to China Times (Note 33).

(b) The amount in the prior year mainly represented compensation paid of RMB35,522,000 in relation to a partial dam failure occurred on 12 March 2017 at the northwestern corner of tailings pond at Tonglvshan Mine of the Group located in Hubei Province, the PRC. Up to 31 December 2018, the Group has received advance compensation totaling RMB47,000,000 (31 December 2017: RMB21,000,000) from an insurance company, which was recorded under "Other payables and accrued expenses".

10. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest on bank and other borrowings	**329,644**	290,320
Interest on loans from Daye Group	**28,888**	50,961
Interest on loans from Daye Finance Company	**15,584**	15,411
Interest on loans from a fellow subsidiary	**8,438**	5,364
Interest on amounts due to a fellow subsidiary	**11,934**	11,353
Interest on convertible note	**–**	17,210
Interest on promissory note (Note 33)	**42,348**	34,807
Unwind interest of provision for mine rehabilitation, restoration and dismantling (Note 32)	**1,322**	1,284
Unwind interest of early retirement obligations (Note 35)	**7,980**	4,890
Total borrowing costs	**446,138**	431,600
Less: Borrowing costs capitalised in the cost of qualifying assets (Note 16)	**(21,567)**	(27,469)
	424,571	404,131

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 3.65% (2017: 3.95%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**1,531**	–
Deferred tax (Note 21)	**38,621**	21,661
	40,152	21,661

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.

No provision for Hong Kong profits tax has been made as the Group has no assessable profit generated in Hong Kong for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. INCOME TAX EXPENSES (Continued)

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss before tax	**46,450**	69,530
Tax at the domestic income tax rate of 25% (2017: 25%) (Note)	**(11,613)**	(17,383)
Tax effect on different tax rates of subsidiaries operating in other jurisdictions	**6,488**	6,293
Tax effect on tax concession of research and development costs	**(1,228)**	(868)
Tax effect on expenses not deductible for tax purpose	**27,701**	14,130
Tax effect on deductible temporary differences not recognised	**38,113**	17,455
Tax effect on share of results of joint ventures	**3,990**	1,821
Tax effect on tax losses not recognised	**–**	607
Utilisation of tax losses and deductible temporary differences previously not recognised	**(22,358)**	–
Others	**(941)**	(394)
Income tax expense for the year	**40,152**	21,661

Note:

The domestic tax rate (which is EIT rate) in the jurisdiction where the operation of the Group is substantially based is used.

12. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

Loss and total comprehensive expense for the year has been arrived at after charging:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Depreciation of property, plant and equipment (Note (ii))	**617,808**	600,015
Amortisation of intangible assets (Note (ii))	**50,823**	47,902
Amortisation of prepaid lease payments (Note (ii))	**21,610**	21,451
Auditor's remuneration	**3,079**	2,974
Employee benefits expense (including directors' remuneration as disclosed in Note 13) (Note (iii)):		
Salaries, wages and welfare	**494,491**	519,407
Retirement benefit scheme contributions	**123,179**	109,325
Provision for early retirement obligations (Note 35) (Note (iv))	**96,580**	186,700
Total staff costs	**714,250**	815,432
Cost of sales and services rendered:		
Cost of inventories recognised as an expense (Note (i))	**29,762,127**	32,537,614
Direct operating expense arising from services provided	**44,147**	64,183
	29,806,274	32,601,797
Research costs recognised as an expense	**8,828**	6,947
Minimum lease payments in respect of lands and buildings	**14,039**	18,951

Notes:

(i) Write-down of inventories of RMB29,005,000 (2017: RMB8,728,000), which was included in cost of inventories, was mainly attributable to the decline in the price of certain raw materials. The materials are written down to net realisable value when the costs of the finished products are expected to exceed their net realisable values.

(ii) During the year, depreciation of property, plant and equipment of RMB606,696,000 (2017: RMB583,989,000), and amortisation of intangible assets and prepaid lease payments totaling RMB33,125,000 (2017: RMB30,544,000) was capitalised to inventories.

(iii) During the year, employee benefits expense of RMB551,393,000 (2017: RMB565,231,000) were capitalised to inventories.

(iv) The provision was included in "other operating expenses".

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

Directors and Chief Executive Officer

Details of the emoluments paid to the directors for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

		Other emoluments			
	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Bonus RMB'000	Total RMB'000
2018					
Executive Directors					
Mr. Long Zhong Sheng (Note (a))	**925**	**149**	**59**	**–**	**1,133**
Mr. Zhai Baojin	**–**	**529**	**43**	**–**	**572**
Mr. Tan Yaoyu	**–**	**528**	**43**	**–**	**571**
Mr. Yu Liming (Note (c))	**–**	**135**	**23**	**–**	**158**
Independent Non-executive Directors					
Mr. Wang Guoqi	**88**	**–**	**–**	**–**	**88**
Mr. Wang Qihong	**88**	**–**	**–**	**–**	**88**
Mr. Liu Jishun	**88**	**–**	**–**	**–**	**88**
	1,189	**1,341**	**168**	**–**	**2,698**
2017					
Executive Directors					
Mr. Zhang Lin (Note (d))	–	446	16	–	462
Mr. Long Zhong Sheng (Note (a))	1,426	31	55	463	1,975
Mr. Zhai Baojin	–	724	39	–	763
Mr. Tan Yaoyu (Note (b))	–	640	39	–	679
Independent Non-executive Directors					
Mr. Wang Guoqi	87	–	–	–	87
Mr. Wang Qihong	87	–	–	–	87
Mr. Liu Jishun	87	–	–	–	87
	1,687	1,841	149	463	4,140

Notes:

(a) Mr. Long Zhong Sheng is the Chief Executive Officer of the Company in both 2018 and 2017 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(b) Mr. Tan Yaoyu was appointed as the chairman of the Company on 1 September 2017.

(c) Mr. Yu Liming was appointed as an executive director of the Company on 19 June 2018.

(d) Mr. Zhang Lin resigned as the chairman of the Company on 18 May 2017.

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

Directors and Chief Executive Officer (Continued)

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of affairs of the Group. The independent non-executive directors' emoluments shown above were mainly for their services as the directors of the Company.

The remuneration of certain of the directors was borne by Daye Group during the current and prior years. There was no arrangement under which a director or the Chief Executive Officer waived or agreed to waive any remuneration during both years.

Employees

Of the five individuals with the highest emoluments in the Group, three (2017: three) were directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2017: two) individuals are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries and other allowances	**949**	1,176
Retirement benefit scheme contributions	**86**	78
	1,035	1,254

The emoluments of the above employees are within the following bands in Hong Kong dollar ("HK$"):

	2018	2017
	Number of employees	
Nil to HK$1,000,000	**2**	2

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.

14. DIVIDENDS

No dividend was paid or proposed for shareholders of the Company during 2018 nor has any dividend been proposed since the end of the reporting period (2017: Nil).

15. LOSS PER SHARE

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(100,959)**	(97,247)
	'000	'000
Number of ordinary shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**17,895,580**	17,895,580

The computation of diluted loss per share does not assume the conversion of the Promissory Note (Note 33) as the issue price is determined by reference to the then market price of the shares of the Company.

The computation of diluted loss per share for the year ended 31 December 2017 did not assume the conversion of the Company's outstanding convertible note since its conversion would result in a decrease in loss per share for the year ended 31 December 2017.

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 2017	5,446,067	1,930,908	3,367,218	172,133	45,810	1,016,294	11,978,430
Additions	797	–	70,443	1,707	1,647	297,632	372,226
Interest capitalised (Note 10)	–	–	–	–	–	27,469	27,469
Reclassification	154,182	518,005	39,093	–	–	(711,280)	–
Disposals	(2,766)	–	(10,614)	(3,118)	(481)	–	(16,979)
At 31 December 2017	5,598,280	2,448,913	3,466,140	170,722	46,976	630,115	12,361,146
Additions	3,934	–	89,437	1,349	842	296,393	391,955
Interest capitalised (Note 10)	–	–	–	–	–	21,567	21,567
Reclassification	73,732	220,385	2,693	–	–	(296,810)	–
Disposals	(124,066)	–	(14,054)	(13,093)	(422)	–	(151,635)
At 31 December 2018	5,551,880	2,669,298	3,544,216	158,978	47,396	651,265	12,623,033
Accumulated depreciation:							
At 1 January 2017	(1,600,630)	(596,896)	(1,755,889)	(100,671)	(27,547)	–	(4,081,633)
Provided for the year	(263,548)	(106,286)	(219,874)	(7,484)	(2,823)	–	(600,015)
Eliminated on disposals	1,637	–	7,131	2,928	451	–	12,147
At 31 December 2017	(1,862,541)	(703,182)	(1,968,632)	(105,227)	(29,919)	–	(4,669,501)
Provided for the year	(191,752)	(201,396)	(210,528)	(11,196)	(2,936)	–	(617,808)
Eliminated on disposals	36,653	–	9,201	7,999	396	–	54,249
At 31 December 2018	(2,017,640)	(904,578)	(2,169,959)	(108,424)	(32,459)	–	(5,233,060)
Accumulated impairment:							
At 1 January 2017	(180,179)	(94,960)	(53,051)	(304)	(3,033)	(15,037)	(346,564)
Eliminated on disposals	–	–	962	18	–	–	980
At 31 December 2017	(180,179)	(94,960)	(52,089)	(286)	(3,033)	(15,037)	(345,584)
Eliminated on disposals	–	–	1,043	–	–	–	1,043
At 31 December 2018	(180,179)	(94,960)	(51,046)	(286)	(3,033)	(15,037)	(344,541)
Carrying values:							
At 31 December 2018	3,354,061	1,669,760	1,323,211	50,268	11,904	636,228	7,045,432
At 31 December 2017	3,555,560	1,650,771	1,445,419	65,209	14,024	615,078	7,346,061

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment assessment

During the year ended 31 December 2015, in view of the unfavourable future prospects of a copper mine held by Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("Hui Xiang"), a subsidiary of the Group, management of the Group conducted impairment testing for the non-current assets, including property, plant and equipment, prepaid lease payments and mining rights, attributable to this copper mine (the "CGU"), and aggregate impairment of RMB483,362,000 was made for these assets to reduce the carrying amount of the CGU to its recoverable amount. The aggregate net carrying amount of these assets as at 31 December 2018 is RMB1,037,989,000 (2017: RMB1,116,246,000). The recoverable amount of the CGU has been determined based on a value-in-use calculation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuers not connected with the Group.

Based on management's assessment, there is no indication that those assets have suffered a further impairment loss or the event previously causing the impairment no longer exists in the current year.

17. EXPLORATION AND EVALUATION ASSETS

	RMB'000
At 1 January 2017	63,427
Additions	25,920
Transfer to mining rights (Note 19)	(45,053)
At 31 December 2017	44,294
Additions	10,291
Transfer to mining rights (Note 19)	(5,106)
At 31 December 2018	49,479

The exploration and evaluation expenditures of the Group mainly represented the capitalised costs incurred during the evaluation phase for the 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.

18. PREPAID LEASE PAYMENTS

The Group's prepared lease payments are analysed as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets	**676,764**	698,534
Current assets	**21,611**	21,451
	698,375	719,985

The remaining lease periods of the existing leases ranging from 20 to 61 years.

19. INTANGIBLE ASSETS

	Mining rights RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2017	1,408,796	12,958	1,421,754
Additions	30,002	1,328	31,330
Transfer from exploration and evaluation assets (Note 17)	45,053	–	45,053
At 31 December 2017	1,483,851	14,286	1,498,137
Additions	–	3,013	3,013
Transfer from exploration and evaluation assets (Note 17)	5,106	–	5,106
At 31 December 2018	1,488,957	17,299	1,506,256
Accumulated amortisation and impairment: (Note)			
At 1 January 2017	(775,886)	(8,100)	(783,986)
Amortisation	(46,344)	(1,558)	(47,902)
At 31 December 2017	(822,230)	(9,658)	(831,888)
Amortisation	(48,509)	(2,314)	(50,823)
At 31 December 2018	(870,739)	(11,972)	(882,711)
Carrying amounts:			
At 31 December 2018	618,218	5,327	623,545
At 31 December 2017	661,621	4,628	666,249

Note: During the year ended 31 December 2015, the Group recognised losses on impairment of mining rights of RMB221,966,000 in relation to certain of the Group's copper mines. Refer to Note 16 for details.

20. INVESTMENTS IN JOINT VENTURES

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

	At 31 December 2018 RMB'000	2017 RMB'000
Cost of unlisted equity investments, at cost	**64,702**	64,702
Share of post-acquisition results and other comprehensive expense, net of dividends received*	**(64,702)**	(23,448)
	–	41,254

20. INVESTMENTS IN JOINT VENTURES (Continued)

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

* Upon the initial application of HKFRS 9, the opening balances at 31 December 2017 has been decreased by RMB25,292,000 in relation to ECL provision for joint ventures' financial assets at amortised cost, which consequently resulted in remeasurement loss recognised by the Group through equity accounting (Note 2.1). The table below illustrates the effect on investments in joint venture at the date of initial application, 1 January 2018.

	Cost of unlisted equity investments, at cost RMB'000	Share of post-acquisition results and other comprehensive expense, net of dividends received RMB'000	Investments in joint ventures RMB'000
Opening balance at 31 December 2017	**64,702**	(23,448)	41,254
Effect arising from initial application of HKFRS 9			
Remeasurement of impairment under ECL model	–	(25,292)	(25,292)
Opening balance at 1 January 2018	**64,702**	(48,740)	15,962

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

Name of entity	Place of incorporation/ establishment	Principal places of operation	Proportion of ownership interest held by the Group **2018**	2017	Proportion of voting rights held by the Group **2018** (Note)	2017	Principal activities
China Daye Hong Kong Investment Limited ("China Daye HK")	Hong Kong	Hong Kong and PRC	95%	95%	50%	50%	Trading of metals and minerals
Shenzhen Rainbow Nonferrous Metals Co., Ltd ("Shenzhen Rainbow")	PRC	PRC	95%	95%	50%	50%	Investment holding and trading of metals and minerals

Note:

Pursuant to the relevant shareholders' agreement of the above entities, resolutions of shareholders' meetings and directors' meetings require unanimous consent of the Group and another shareholder of these entities.

20. INVESTMENTS IN JOINT VENTURES (Continued)

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 venture's financial statements prepared in accordance with HKFRSs.

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

	At 31 December 2018		At 31 December 2017	
	China Daye HK RMB'000	**Shenzhen Rainbow RMB'000**	China Daye HK RMB'000	Shenzhen Rainbow RMB'000
Current assets	**172,792**	**19,657**	2,732,674	366,851
Non-current assets	**10**	**–**	21	293,700
Current liabilities	**(174,878)**	**(24,534)**	(2,684,548)	(630,100)
Net assets	**(2,076)**	**(4,877)**	48,147	30,451
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	**7,650**	**19,640**	4,845	1,938
Other current financial liabilities (excluding trade and other payables, and provisions)	**–**	**–**	(2,411,768)	–

	Year ended 31 December			
	2018		2017	
	China Daye HK RMB'000	**Shenzhen Rainbow RMB'000**	China Daye HK RMB'000	Shenzhen Rainbow RMB'000
Loss for the year and total comprehensive expense for the year	**(23,600)**	**(35,328)**	(4,869)	(2,784)
The above loss for the year including the following:				
Depreciation and amortisation	**12**	**91**	179	102
Interest income	**9**	**1,428**	9,839	656
Income tax expense	**–**	**364**	–	506

20. INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

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

	At 31 December 2018		At 31 December 2017	
	China Daye HK RMB'000	Shenzhen Rainbow RMB'000	China Daye HK RMB'000	Shenzhen Rainbow RMB'000
Net assets	(2,076)	(4,877)	48,147	30,451
Proportion of the Group's ownership interest	95%	95%	95%	95%
Carrying amount of the Group's interest	–	–	45,740	28,928
Unrecognised share of loss of the joint ventures	(1,972)	(4,633)		

The Group has discontinued recognition of its share of further losses of the joint ventures upon the limit of its interests in the joint ventures. The amounts of unrecognised share of loss of the joint ventures, extracted from the financial statements of the joint ventures prepared in accordance with HKFRSs, are as follows:

	2018 RMB'000	2017 RMB'000
Accumulated unrecognised share of loss:		
At 1 January	75,913	74,833
Unrecognised share of loss of the joint ventures for the year	6,635	1,080
At 31 December	82,548	75,913

21. DEFERRED TAX

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 2018 RMB'000	2017 RMB'000
Deferred tax assets	121,738	160,359
Deferred tax liabilities	–	–
	121,738	160,359

21. DEFERRED TAX (Continued)

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

Deferred tax assets

	Accrued expenses RMB'000	Provision for mine rehabilitation, restoration and dismantling RMB'000	Early retirement obligations RMB'000	Impairment losses RMB'000	Write-down of inventories RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	13,694	10,700	3,704	59,327	8,280	117,972	3,968	217,645
Credited/(charged) to profit or loss	12,283	321	31,595	(472)	2,182	(68,441)	(438)	(22,970)
At 31 December 2017	25,977	11,021	35,299	58,855	10,462	49,531	3,530	194,675
(Charged)/credited to profit or loss	(3,409)	331	11,760	1,383	(120)	(49,130)	(745)	(39,930)
At 31 December 2018	22,568	11,352	47,059	60,238	10,342	401	2,785	154,745

Deferred tax liabilities

	Mining rights RMB'000
At 1 January 2017	(35,625)
Credited to profit or loss	1,309
At 31 December 2017	(34,316)
Credited to profit or loss	1,309
At 31 December 2018	(33,007)

As at 31 December 2018, the PRC subsidiaries of the Group had unrecognised tax losses of RMB473,373,000 (2017: RMB526,418,000) and unrecognised deductible temporary differences of RMB653,381,000 (2017: RMB570,751,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

21. DEFERRED TAX (Continued)

The unrecognised tax loss will be expired in the following years:

	At 31 December 2018 RMB'000	2017 RMB'000
To be expired on:		
31 December 2018	–	4,196
31 December 2020	–	5,110
31 December 2021	**473,373**	514,685
31 December 2022	–	2,427
Total unrecognised tax losses	**473,373**	526,418

At 31 December 2018, the Company and the Hong Kong subsidiaries of the Group had estimated unused tax losses of HK$50,144,000, equivalent to approximately RMB43,936,000 (2017: HK$56,225,000, equivalent to approximately RMB46,999,000), subject to the agreement with the Inland Revenue Department of Hong Kong, arose in Hong Kong available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributable profits of the PRC subsidiaries amounting to RMB248,071,000 as at 31 December 2018 (2017: RMB287,027,000) 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.

22. INVENTORIES

	At 31 December 2018 RMB'000	2017 RMB'000
Raw materials	**1,051,153**	1,067,698
Work in progress	**1,538,959**	1,300,768
Finished goods	**579,345**	584,325
Goods in transit	**1,909,719**	1,861,011
	5,079,176	4,813,802

23. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**367,306**	342,991
Less: Allowance for credit losses	**(10,882)**	(10,499)
	356,424	332,492
Bills receivables:		
On hand	**137,436**	134,193
Endorsed to suppliers (Note 39)	**33,505**	48,872
Discounted to banks (Note 39)	**218,050**	–
Held by banks for collection	**–**	3,000
	388,991	186,065
Total trade and bills receivables	**745,415**	518,557
Analysed for reporting purpose as:		
Trade and bills receivables measured at amortised cost	**737,906**	518,557
Trade receivables measured at FVTPL	**7,509**	–
Total trade and bills receivables	**745,415**	518,557

The majority of sales are made under contractual arrangements whereby a significant portion of transaction price is received before delivery or promptly after delivery. Bills receivables are matured within 1 year.

Certain trade receivables are under provisionally priced sales arrangements, the fair value of the embedded commodity derivative component arising from provisionally priced sales arrangement at 31 December 2017 is insignificant. Upon initial application of HKFRS 9, these trade receivables under provisionally priced sales arrangements are measured in its entirety as at FVTPL.

The following is an ageing 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 credit losses.

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Within 1 year	**354,622**	151,473
More than 1 year, but less than 2 years	**369**	180,794
More than 2 years, but less than 3 years	**1,238**	31
Over 3 years	**195**	194
	356,424	332,492

23. TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis of trade receivables which are past due but not impaired

Included in the Group's trade receivables as at 31 December 2017 were debtors with aggregate carrying amount of RMB212,755,000 which were past due as at the reporting date for which the Group has not provided for impairment loss. The ageing analysis of these receivables is as follows:

	At 31 December 2017 RMB'000
Past due:	
Within 1 year	212,530
More than 1 year, but less than 2 years	31
Over 3 years	194
	212,755

Movement in the allowance for doubtful debts on trade receivables for the year ended 31 December 2017

	RMB'000
At 1 January 2017	10,522
Reversal of impairment loss, net	(23)
At 31 December 2017	10,499

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in Note 38.

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

	At 31 December	
	2018 **RMB'000**	2017 RMB'000
Fellow subsidiaries	**239,708**	253,481
Daye Group	**1**	–

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

An analysis of trade and bills receivables denominated in currencies other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2018 **RMB'000**	2017 RMB'000
Denominated in United States dollar ("US$")	**185,232**	197,708

24. OTHER DEPOSITS

	At 31 December 2018 RMB'000	2017 RMB'000
Classified under non-current assets:		
Deposits for acquisition of property, plant and equipment	**11,423**	40,968
Deposits for environment rehabilitation (Note (a))	**30,191**	30,422
Deposits for land restoration (Note (b))	**5,302**	–
	46,916	71,390
Classified under current assets:		
Margin deposits (Note (c))	**69,095**	141,414

Notes:

(a) The deposits for environment rehabilitation represent estimated environment restoration costs placed with the PRC government.

(b) The deposits are held in a designated saving account in Daye Finance Company as required by the PRC government which represent estimated land restoration costs for mining area of a copper mine held by the Group.

(c) The balances represent deposits in margin accounts held in Shanghai Futures Exchange, other futures exchanges and certain financial institutions as security for the commodities derivative and gold forward contracts (Note 26).

25. PREPAYMENTS AND OTHER RECEIVABLES

	At 31 December 2018 RMB'000	2017 RMB'000
Prepayments for inventories	**101,182**	130,404
Value-added tax recoverable	**17,612**	21,144
Prepayments made to fellow subsidiaries	**–**	52,608
Short-term advances to Daye Group (Note (a))	**1,146,402**	–
Loans to a joint venture (Note (b))	**125,000**	40,000
Amounts due from joint ventures (Note (c))	**33,520**	30,178
Amounts due from fellow subsidiaries (Note (c))	**92**	23
Other receivables	**43,433**	42,978
	1,467,241	317,335
Less: Allowance for credit losses on other receivables	**(22,769)**	(21,501)
	1,444,472	295,834

Notes:

(a) The short-term advances to Daye Group carries fixed interest rate at 3.92% per annum and repayable on demand.

(b) The loans to a joint venture are unsecured, carry fixed interest rates ranging from 4.35% to 4.60% (2017: 4.60%) per annum and repayable within one year.

(c) The amounts due from joint ventures and fellow subsidiaries are unsecured, interest-free and repayable on demand.

25. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Movements in the allowance for doubtful debts on other receivables for the year ended 31 December 2017

	RMB'000
At 1 January 2017	22,387
Reversal of impairment loss, net	(869)
Write off as uncollectible	(17)
At 31 December 2017	21,501

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Current Assets		Current Liabilities	
	At 31 December		At 31 December	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Copper futures contracts	**2,049**	4,287	**39,692**	7,956
Copper option contracts	**–**	–	**156**	–
Gold futures contracts	**1,508**	361	**359**	–
Gold forward contracts	**113,044**	12,597	**–**	9,705
Silver futures contracts	**1,941**	–	**–**	2,992
Currency forward contracts	**1,424**	–	**–**	3,712
Currency option contracts	**–**	–	**17,901**	26,369
	119,966	17,245	**58,108**	50,734

Major terms of the futures and option contracts are as follows:

	At 31 December			
	2018		2017	
Contract type	**Quantity**	**Contract price (RMB)**	Quantity	Contract price (RMB)
Copper futures contracts (tonnes)				
Buy	**25,925**	**42,151 to 48,972**	14,420	54,206
Sell	**5,990**	**42,662 to 49,009**	18,180	44,688 to 55,575
Copper option contracts (tonnes)				
Sell	**500**	**38,433**	–	–
Gold futures contracts (kg)				
Buy	**358**	**282,837**	850	277,475
Sell	**100**	**271,086**	–	–
Gold forward contracts (kg)				
Buy	**9,560**	**268,020 to 283,470**	6,500	269,850 to 290,310
Silver futures contracts (kg)				
Buy	**19,515**	**3,575**	64,215	3,932

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Major terms of the foreign currency forward contracts are as follows:

Nominal amount	**Exchange rates**
At 31 December 2018	
Buy US$47,418,000	US$1: RMB6.7672 to RMB6.8773
Sell US$16,690,000	US$1: RMB6.8000 to RMB6.8842
At 31 December 2017	
Buy US$35,078,000	US$1: RMB6.6175 to RMB6.9298

Major terms of the foreign currency option contracts are as follows:

Nominal amount	**Exchange rates**
At 31 December 2018	
Buy US$233,149,000	US$1: RMB6.8501 to RMB6.9800
Sell US$286,824,000	US$1: RMB6.8500 to RMB7.2000
At 31 December 2017	
Buy US$60,060,000	US$1: RMB6.8218 to RMB7.2000
Sell US$96,784,000	US$1: RMB6.8218 to RMB7.2000

The Group uses commodity derivative contracts as an economic hedge of its commodity price risk and its exposure to variability in fair value changes attributable to price fluctuation risk associated with certain copper, gold and silver products. Commodity derivative contracts utilised by the Group include standardised copper futures contracts in Shanghai Futures Exchange and other futures exchanges. Besides, the Group also entered into foreign currency forward contracts and foreign currency option contracts with certain banks to hedge certain of its currency risk arising from certain of its bank loans denominated in US$.

The Group did not formally designate or document the hedging transactions with respect to the commodity derivative contracts, foreign currency forward and foreign currency option contracts. Therefore, those transactions were not designated for hedge accounting.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The amounts recognised for the derivative financial assets and liabilities in respect of commodity derivative contracts, currency forward contracts and currency option contracts do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (Continued)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets At 31 December		Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position At 31 December		Net amounts of financial assets presented in the consolidated statement of financial position At 31 December	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Deposits in futures margin accounts (Note 24)	**69,095**	141,414	**–**	–	**69,095**	141,414
Derivatives in respect of:						
Copper futures contracts	**2,049**	4,287	**–**	–	**2,049**	4,287
Gold futures contracts	**1,508**	361	**–**	–	**1,508**	361
Gold forward contracts	**113,044**	12,597	**–**	–	**113,044**	12,597
Silver futures contracts	**1,941**	–	**–**	–	**1,941**	–
Currency forward contracts	**1,424**	–	**–**	–	**1,424**	–
Total	**189,061**	158,659	**–**	–	**189,061**	158,659

Net financial assets subject to enforceable master netting arrangements and similar agreements, by counterparty

	Net amounts of financial assets presented in the consolidated statement of financial position At 31 December		Related amounts not set off in the consolidated statement of financial position: Derivative financial liabilities At 31 December		Related amounts not set off in the consolidated statement of financial position: Cash collateral received At 31 December		Net amount At 31 December	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Counterparty A	**72,792**	122,017	**–**	(2,992)	**–**	–	**72,792**	119,025
Counterparty B	**41,358**	10,933	**–**	–	**–**	–	**41,358**	10,933
Counterparty C	**30,214**	1,664	**(6,476)**	(1,664)	**–**	–	**23,738**	–
Counterparty D	**20,590**	–	**(12,767)**	–	**–**	–	**7,823**	–
Counterparty E	**12,480**	–	**(6,384)**	–	**–**	–	**6,096**	–
Counterparty F	**9,355**	–	**–**	–	**–**	–	**9,355**	–
Counterparty G	**1,781**	–	**(209)**	–	**–**	–	**1,572**	–
Counterparty H	**471**	–	**(471)**	–	**–**	–	**–**	–
Others	**20**	24,045	**–**	(4,388)	**–**	–	**20**	19,657
	189,061	158,659	**(26,307)**	(9,044)	**–**	–	**162,754**	149,615

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (Continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial liabilities At 31 December		Gross amounts of recognised financial assets set off in the consolidated statement of financial position At 31 December		Net amounts of financial liabilities presented in the consolidated statement of financial position At 31 December	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB000	**RMB'000**	RMB'000
Derivatives in respect of:						
Copper futures contracts	**39,692**	7,956	**–**	–	**39,692**	7,956
Copper option contracts	**156**	–	**–**	–	**156**	–
Silver futures contracts	**–**	2,992	**–**	–	**–**	2,992
Gold forward contracts	**–**	9,705	**–**	–	**–**	9,705
Gold futures contracts	**359**	–	**–**	–	**359**	–
Currency forward contracts	**–**	3,712	**–**	–	**–**	3,712
Currency option contracts	**17,901**	26,369	**–**	–	**17,901**	26,369
Total	**58,108**	50,734	**–**	–	**58,108**	50,734

Net financial liabilities subject to enforceable master netting arrangements and similar agreements, by counterparty

	Net amounts of financial liabilities presented in the consolidated statement of financial position At 31 December		Related amounts not set off in the consolidated statement of financial position: Derivative financial assets At 31 December		Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged At 31 December		Net amount At 31 December	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Counterparty A	**–**	2,992	**–**	–	**–**	(2,992)	**–**	–
Counterparty B	**–**	4,388	**–**	–	**–**	(4,388)	**–**	–
Counterparty C	**6,476**	10,032	**(6,476)**	(1,664)	**–**	–	**–**	8,368
Counterparty D	**12,767**	6,862	**(12,767)**	–	**–**	–	**–**	6,862
Counterparty E	**6,384**	4,163	**(6,384)**	–	**–**	–	**–**	4,163
Counterparty F	**16,499**	–	**–**	–	**–**	–	**16,499**	–
Counterparty G	**209**	–	**–**	–	**(209)**	–	**–**	–
Counterparty H	**15,773**	6,655	**(471)**	–	**–**	–	**15,302**	6,655
Others	**–**	15,642	**–**	–	**–**	–	**–**	15,642
	58,108	50,734	**(26,098)**	(1,664)	**(209)**	(7,380)	**31,801**	41,690

27. RESTRICTED AND PLEDGED BANK DEPOSITS, AND CASH AND BANK BALANCES

Restricted and pledged deposits

	At 31 December 2018 RMB'000	2017 RMB'000
Classified under non-currents assets:		
Bank deposits (Note (a))	**43,355**	39,000
Classified under current assets:		
Restricted bank balances (Note (b))	**23,304**	39,985

Notes:

(a) The bank deposits are placed with Daye Finance Company and are pledged as security for the Group's other loans from a third party financing company, which are not repayable within one year (Note 31). These deposits bear interest at a fixed rate of 3.58% (2017: 3.58%) per annum.

(b) Bank balances are held in designated bank accounts as security for the Group's bills payable and letters of credit. The bank balances bear interest at a fixed rate of ranging from 0.30% to 1.30% (2017: 1.35%) per annum.

Cash and bank balances

Included in cash and bank balances as at 31 December 2018 was RMB557,527,000 (2017: RMB392,219,000) placed with Daye Finance Company as saving deposits, which bear interest at rate ranging from 0.53% to 1.50% (2017: 0.53% to 1.50%) per annum and repayable on demand. The remaining bank balances carry interest at rates ranging from 0.35% to 1.38% (2017: 0.35% to 1.35%) per annum.

Analysis of cash and bank balances denominated in currencies other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December 2018 RMB'000	2017 RMB'000
Denominated in United States dollars	**165,641**	406,990
Denominated in Hong Kong dollars	**2,884**	3,801
	168,525	410,791

28. TRADE AND BILLS PAYABLES

	At 31 December 2018 RMB'000	2017 RMB'000
Trade payables	**1,840,697**	2,484,878
Bills payables	**62,500**	–
	1,903,197	2,484,878

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

	At 31 December 2018 RMB'000	2017 RMB'000
Within 1 year	**1,828,020**	2,465,848
More than 1 year, but less than 2 years	**2,664**	9,794
More than 2 years, but less than 3 years	**844**	1,385
Over 3 years	**9,169**	7,851
	1,840,697	2,484,878

The maturity period of bills payables are within 6 months based on the invoice date.

Included in the Group's trade and bills payables are payables to fellow subsidiaries of RMB30,522,000 (2017: RMB36,130,000). The payables to fellow subsidiaries are unsecured, interest-free and are repayable according to respective purchase contracts.

Analysis of trade payables denominated in currencies other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December 2018 RMB'000	2017 RMB'000
Denominated in US$	**1,068,832**	1,854,336

29. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December 2018 RMB'000	2017 RMB'000
Classified under current liabilities:		
Receipts in advance from customers	–	100,396
Salaries and welfare payables	**125,047**	146,951
Current portion of deferred income (Note 34)	**21,172**	19,060
Payables for purchase of property, plant and equipment (Note (a))	**417,699**	577,352
Amounts due to Daye Group (Note (b))	**30,383**	2,915
Amounts due to joint ventures (Note (b))	**14,964**	14,237
Advance compensation from an insurance company	**47,000**	21,000
Other payables and accruals	**158,850**	152,505
	815,115	1,034,416
Balances repayable after one year and classified under non-current liabilities:		
Payables for purchase of property, plant and equipment (Note (a))	**287,855**	282,564
Amounts due to Daye Group (Note (b))	–	30,171
	287,855	312,735

Notes:

(a) Included in payables for purchase of property, plant and equipment are payables to fellow subsidiaries of RMB464,381,000 (2017: RMB465,200,000) in relation to the construction work conducted by these fellow subsidiaries. Except for the payable to a fellow subsidiary of RMB287,855,000 (2017: RMB282,564,000) which bears interest at 4.35% (2017: 4.35%) per annum, the remaining payables are interest-free. All of the payables to fellow subsidiaries are unsecured and repayable in accordance with the terms of the relevant construction contracts.

(b) The amounts due to Daye Group and joint ventures are unsecured, interest-free and repayable on demand, except for amounts due to Daye Group as at 31 December 2017 of RMB30,171,000 which were repayable after one year in accordance with the terms of the relevant agreements.

30. CONTRACT LIABILITIES

	31 December 2018 RMB'000	1 January 2018* RMB'000
Sales of goods	**82,398**	100,396

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The revenue recognised during the year ended 31 December 2018 relates to carried-forward contract liabilities in relation to sales of goods as at 1 January 2018 amounted to RMB90,450,000.

31. BANK AND OTHER BORROWINGS

	At 31 December 2018 RMB'000	2017 RMB'000
Bank borrowings:		
Unsecured	**5,977,050**	4,361,247
Other borrowings:		
Loans from Daye Group, unsecured (Note (a))	**203,892**	978,510
Loans from Daye Finance Company, unsecured (Note (a))	**385,662**	368,000
Loans from a fellow subsidiary, unsecured (Note (a))	**192,817**	132,283
Gold loans (Note (b))	**2,748,328**	1,804,969
Other loans secured by bank deposits (Note (c))	**507,660**	498,500
	10,015,409	8,143,509

	At 31 December 2018 RMB'000	2017 RMB'000
Bank borrowings carrying amounts repayable*:		
Within one year	**4,231,974**	1,771,279
More than one year, but not exceeding two years	**1,470,076**	2,390,968
More than two years, but not exceeding five years	**275,000**	199,000
	5,977,050	4,361,247
Other borrowings carrying amounts repayable*:		
Within one year	**946,238**	1,286,753
More than one year, but not exceeding two years	**2,362,026**	1,180,499
More than two years, but not exceeding five years	**626,567**	953,060
More than five years	**103,528**	361,950
	4,038,359	3,782,262
Less: Amounts due within one year shown under current liabilities	**(5,178,212)**	(3,058,032)
Amounts shown under non-current liabilities	**4,837,197**	5,085,477

* The amounts due are based on scheduled payment dates set out in the respective loan agreements.

31. BANK AND OTHER BORROWINGS (Continued)

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Fixed-rate borrowings	**6,919,553**	5,908,777
Variable-rate borrowings	**3,095,856**	2,234,732
Total borrowings	**10,015,409**	8,143,509

	Year ended 31 December	
	2018	2017
Effective interest rate: (per annum)		
Fixed-rate borrowings	**1.20% to 6.15%**	1.20% to 6.15%
Variable-rate borrowings*	**2.55% to 4.85%**	2.55% to 4.75%

* These borrowings bear floating rate based on London Interbank Offer Rate or benchmark interest rates quoted by People's Bank of China ("PBOC") and Bank of China ("BOC").

31. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) The details of unsecured loans from Daye Group, Daye Finance Company and a fellow subsidiary are as follows:

Interest rate	Terms of repayment	At 31 December 2018 RMB'000	2017 RMB'000
Daye Group			
Fixed rate:			
At 4.98% per annum	Repayable on 1 January 2020*	–	362,216
At 5.97% per annum	Repayable from 19 January 2020 to 14 August 2020	**110,000**	110,000
At 4.60% per annum	Repayable on 29 August 2020	**642**	–
At 1.20% per annum	Repayable on 24 December 2025	**43,250**	53,200
At 6.00% per annum	Repayable on 23 August 2020	**50,000**	50,000
Floating rate:			
Five years interest rate quoted by BOC	Repayable on 1 January 2020*	–	319,000
Five years interest rate quoted by BOC	Repayable on 1 January 2020*	–	84,094
		203,892	978,510
Daye Finance Company			
Fixed rate:			
At 3.915% per annum	Repayable on from 28 September 2019 to 16 July 2020	**267,662**	250,000
At 4.785% per annum	Repayable on 31 May 2018	–	90,000
At 5.225% per annum	Repayable on 11 October 2020	**118,000**	28,000
		385,662	368,000
A fellow subsidiary			
Floating rate:			
Three years interest rate quoted by PBOC	Repayable 11 January 2022	**192,817**	132,283

* Early repaid during the current year

31. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) During the year, losses arising from change in fair value of gold loans designated as financial liabilities at FVTPL amounted to RMB155,960,000 (2017: losses of RMB211,842,000). The above gains and losses have been charged to profit or loss. The gold loans bear interest ranging from 3% to 4.7% (2017: 2% to 4.3%) per annum and RMB905,944,000 (2017: RMB1,073,067,000) of gold loans are repayable within one year.

(c) On 23 December 2015, the Group entered into an agreement with a third party financing company whereby the Group has agreed to transfer the ownership of certain equipment to the financing company (the "Equipment") at a consideration of RMB500,000,000 and lease back the Equipment for a period of 8 years subject to the terms and conditions of the agreement. The transaction was completed in January 2016.

Upon discharging all the Group's obligations under the agreement, the financing company will return the ownership of the Equipment to the Group for a nominal amount of RMB1. Despite the agreement involves a legal form of a lease, the Group accounted for the agreement as collateralised borrowing in accordance with the actual substance of such agreement.

The above other loan was pledged by the Group's bank deposits placed with Daye Finance Company of RMB43,355,000 as at 31 December 2018 (2017: RMB39,000,000) (Note 27).

Analysis of bank and other borrowings denominated in currencies other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Denominated in US$	**1,849,590**	791,913

32. PROVISION FOR MINE REHABILITATION, RESTORATION AND DISMANTLING

	RMB'000
At 1 January 2017	42,801
Interest cost charged to profit or loss (Note 10)	1,284
At 31 December 2017	44,085
Interest cost charged to profit or loss (Note 10)	1,322
At 31 December 2018	45,407

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% (2017: 3%) per annum.

33. PROMISSORY NOTE

	Principal amount RMB'000	Interest accured RMB'000	Total RMB'000
At 1 January 2017	–	–	–
Issue on 7 March 2017	891,537	–	891,537
Interest charged to profit or loss (Note 10)	–	34,807	34,807
At 31 December 2017	891,537	34,807	926,344
Interest charged to profit or loss (Note 10)	–	42,348	42,348
At 31 December 2018	891,537	77,155	968,692

A promissory note with a principal amount of RMB891,537,000 was issued to China Times on 7 March 2017 (the "Promissory Note") to settle the redemption of the Note upon maturity, which had taken effect on 7 March 2017 (the "Effective Date"), being the maturity date of the Note. China Times and the Company have acknowledged and agreed that the issue of the Promissory Note will constitute full satisfaction of the amount payable by the Company to China Times on the redemption of the Note on the maturity date of the Note.

The principal amount together with accrued interest of the Promissory Note shall be paid either in full or by installments no later than 6 March 2022. The interest payable under the Promissory Note shall accrue at the rate of 4.75% per annum on the outstanding principal amount from the Effective Date.

Payment under the Promissory Note shall be made, at the option of the Company, by:

(i) the payment of immediately available funds in Renminbi by wire transfer to the China Times's bank account designated by China Times in writing; and/or

(ii) the allotment and issue of shares of the Company (the "Shares") to China Times subject to compliance with applicable laws, regulations and the Listing Rules.

If the Company elects payment by immediately available funds under (i) above, the amount of payment shall include the principal amount outstanding on the Promissory Note together with accrued and unpaid interest as at the date of payment. If the Company elects the allotment and issue of the Shares under (ii) above, the issue price of the Shares shall be determined by reference to the market price of the Shares quoted on the Hong Kong Stock Exchange.

34. DEFERRED INCOME

	RMB'000
At 1 January 2017	244,011
Credited to profit or loss (Note 7)	(18,459)
At 31 December 2017	225,552
Government grants obtained	6,310
Credited to profit or loss (Note 7)	(20,922)
At 31 December 2018	210,940

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Analysed as:		
Current (Note 29)	**21,172**	19,060
Non-current	**189,768**	206,492
	210,940	225,552

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.

35. EARLY RETIREMENT OBLIGATIONS

	RMB'000
At 1 January 2017	14,980
Additional provision (Note 12)	186,700
Interest cost charged to profit or loss (Note 10)	4,890
Actuarial losses recognised during the year	19,617
Benefits paid	(84,747)
At 31 December 2017	141,440
Additional provision (Note 12)	96,580
Interest cost charged to profit or loss (Note 10)	7,980
Actuarial gains recognised during the year	(1,735)
Benefits paid	(55,875)
At 31 December 2018	188,390

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Analysed as:		
Current	**44,850**	38,350
Non-current	**143,540**	103,090
	188,390	141,440

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.

During the current year, the Group made offers to 319 (2017: 1,146) existing employees of the Group who are within 5 years to normal retirement date, accepted voluntary redundancy and joined the Early Retirement Scheme. Accordingly, additional provision for early retirement obligations of RMB96,580,000 (2017: RMB186,700,000) was recorded and charged to profit or loss during the current year.

35. EARLY RETIREMENT OBLIGATIONS (Continued)

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:

	2018	2017
	%	%
Discount rate (per annum)	**3.00**	3.75
Expected annual salary incremental rate (per annum)	**10**	10

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

36. SHARE CAPITAL

Ordinary share capital of the Company

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	30,000,000,000	1,500,000
		RMB'000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	17,895,579,706	727,893

There was no movement in the Company's share capital for both years ended 31 December 2018 and 2017.

37. 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 and promissory note), net of restricted and pledged bank deposits, cash and bank balances, and equity attributable to owners of the Company (comprising share capital, share premium and all other reserves).

Gearing ratio

The Group's management reviews the capital structure on a regular basis. As part of this review, the Directors 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	
		2018	2017
	Notes	**RMB'000**	RMB'000
Debts	(i)	**10,984,101**	9,069,853
Less: Pledged and restricted bank deposits, and cash and bank balances		**(928,275)**	(1,036,097)
Net debts		**10,055,826**	8,033,756
Equity attributable to owners of the Company	(ii)	**2,237,461**	2,363,712
Net debts to equity ratio		**449.4%**	339.9%

Notes:

(i) Debts comprise non-current and current bank and other borrowings and promissory note as detailed in Notes 31 and 33, respectively.

(ii) Equity includes share capital, share premium, and all other reserves attributable to owners of the Company.

38. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December 2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at amortised cost	**3,060,954**	–
Loans and receivables (including cash and bank balances)	**–**	1,787,746
Financial assets at FVTPL		
Derivative financial instruments	**119,966**	17,245
Trade receivables measured at FVTPL	**7,509**	–
Financial liabilities		
At amortised cost	**11,220,768**	10,977,457
At FVTPL		
Derivative financial instruments	**58,108**	50,734
Designated at FVTPL – Gold loans*	**2,748,328**	1,804,969

* The fair value changes attributable to changes in credit risk are not significant during both years and on a cumulative basis.

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, restricted and pledged bank deposits, cash and bank balances, trade and bills payables, other payables, bank and other borrowings, gold loans, promissory note and derivative financial instruments. 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 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. The major products of the Group include copper cathodes and gold, and other products include silver, iron ores, sulphuric acid, etc. As the commodity market is influenced by global as well as the 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 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.

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.

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.

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Commodity price risk (Continued)

The following table details the Group's sensitivity to movement in prices in respect of its outstanding commodity derivative contracts at each reporting date. At each reporting date, if the prices of these commodity derivative contracts increased/decreased by a reasonable possible change, with all other variables were held constant, the Group's loss after tax would have been affected as set out below:

	2018 (Increase)/ decrease in loss after tax RMB'000	2017 (Increase)/ decrease in loss after tax RMB'000
The prices of the commodity derivative contracts:		
Increased by 10%	**5,876**	(256)
Decreased by 10%	**(5,876)**	256

Interest rate risk

The Group is exposed to interest rate risk on other deposits, bank balances, borrowings and promissory note. Other deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Other deposits, bank balances, promissory note and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's other deposits, restricted and pledged bank deposits, cash and bank balances, bank and other borrowings and promissory note have been disclosed in Notes 24, 27, 31 and 33, respectively. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on fluctuation of benchmark interest rates quoted by PBOC, BOC and London InterBank Offer Rate.

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 other deposits, and bank balances, however, had been ignored as most of them bear interest at minimal rate at the end of each reporting period), of the Group's loss after tax as a result of the change in interest expense for floating rate borrowings after consideration of capitalisation of borrowing costs:

	2018		2017	
	+100 basis points (Increase)/ decrease in loss after tax RMB'000	**-100 basis points (Increase)/ decrease in loss after tax RMB'000**	+100 basis points (Increase)/ decrease in loss after tax RMB'000	-100 basis points (Increase)/ decrease in loss after tax RMB'000
Financial liabilities:				
Bank and other borrowings	**(21,722)**	**21,722**	(15,450)	15,450

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

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 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 and currency option contracts, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts and currency option contracts had been entered by the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB to US$ exchange rates ("RMB – US$"), with all other variables held constant, of the Group's loss after tax due to changes in the carrying value of monetary assets and liabilities, and certain derivative financial instruments.

	2018 (Increase)/ decrease in loss after tax RMB'000	2017 (Increase)/ decrease in loss after tax RMB'000
RMB – US$		
Appreciation of RMB by 5%	**95,665**	75,430
Depreciation of RMB by 5%	**(95,665)**	(75,430)

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

At 31 December 2018, the carrying amounts of the Group's financial assets best represent the Group's maximum exposure to credit risk.

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 to 1 year after delivery. The Group performs periodic credit evaluations of its customers and slow moving debts, if any, are regular monitored with timely follow-up action taken.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade receivables measured at amortised cost and other receivables individually.

Bills receivables are only drawn from major state-owned financial institutions and Daye Finance Company in the PRC. Substantially all other deposits, restricted and pledged bank deposits, and cash and bank balances as detailed in Notes 24 and 27 are held in major state-owned financial institutions and Daye Finance Company located in the PRC. Substantially all derivative financial instruments are directly entered into with the Shanghai Futures Exchange, other futures exchanges 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 material loss arising from non-performance by these counterparties.

The Group has concentration of credit risk as 52.0% (31 December 2017: 59.5%) and 89.9% (31 December 2017: 96.1%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables measured at amortised cost	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount as at 31 December 2018 RMB'000	RMB'000
Financial assets at amortised cost				
Trade receivables (Note 23) (Note)	Low risk	Lifetime ECL – Not credit-impaired	**348,915**	
	Doubtful	Lifetime ECL – Not credit-impaired	**188**	
	Loss	Lifetime ECL – Credit-impaired	**10,694**	**359,797**
Bills receivables (Note 23)	Low risk	12-month ECL		**388,991**
Other receivables (Note 25)	Low risk	12-month ECL	**20,664**	
	Doubtful	Lifetime ECL – Not credit-impaired	**1,268**	
	Loss	Lifetime ECL – Credit-impaired	**21,501**	**43,433**
Loans to a joint venture (Note 25)	Low risk	12-month ECL		**125,000**
Amounts due from joint ventures (Note 25)	Low risk	12-month ECL		**33,520**
Amounts due from fellow subsidiaries (Note 25)	Low risk	12-month ECL		**92**
Amounts due from Daye Group (Note 25)	Low risk	12-month ECL		**1,146,402**
Restricted and pledged bank deposits (Note 27)	Low risk	12-month ECL		**66,659**

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount as at 31 December 2018 RMB'000	RMB'000
Others deposits (Note 24)	Low risk	12-month ECL		**69,095**
Bank balances (Note 27)	Low risk	12-month ECL		**861,535**

Note:

For trade receivables measured at amortised cost, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these trade receivables on an individual balance basis.

During the year ended 31 December 2018, the Group provided RMB383,000 impairment loss for trade receivables measured at amortised cost based on individual assessment.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables measured at amortised cost under the simplified approach.

	Lifetime-ECL (not credit-impaired) RMB'000	Lifetime-ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	–	10,499	10,499
Impairment losses recognised attributable to financial assets recognised as at 1 January 2018	195	–	195
Impairment losses recognised attributable to new financial assets	188	–	188
As at 31 December 2018	383	10,499	10,882

The Group writes off a trade receivable measured at amortised cost or an other receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

38. 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 earliest date on which the Group can be required to pay. 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.

	Effective interest rate %	Less than 1 year and on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2018							
Non-derivative financial liabilities:							
Trade and bills payables	–	1,903,197	–	–	–	1,903,197	1,903,197
Other payables	–	793,943	287,855	–	–	1,081,798	1,081,798
Bank and other borrowings	1.2-6.15	5,440,298	3,959,051	972,375	105,281	10,477,005	10,015,409
Promissory note	4.75	119,503	42,348	941,542	–	1,103,393	968,692
		8,256,941	4,289,254	1,913,917	105,281	14,565,393	13,969,096
Derivatives – net settlement		41,631	–	–	–	41,631	41,631
At 31 December 2017							
Non-derivative financial liabilities:							
Trade and bills payables	–	2,484,878	–	–	–	2,484,878	2,484,878
Other payables	–	886,588	–	312,735	–	1,199,323	1,199,323
Bank and other borrowings	1.2-6.15	3,331,091	3,690,928	1,265,337	375,345	8,662,701	8,171,881
Promissory note	4.75	77,155	42,348	983,890	–	1,103,393	926,344
		6,779,712	3,733,276	2,561,962	375,345	13,450,295	12,782,426
Financial guarantee contracts	–	100,000	–	–	–	100,000	–
Derivatives – net settlement	–	23,740	–	–	–	23,740	23,740

38. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above of variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimate of interest rates determined at the end of the reporting period.

The following table details the Group's liquidity analysis for its gross-settled derivative financial instruments. The table has been drawn up based on the undiscounted contractual gross inflows and outflows on those derivatives.

	Less than 1 year and on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts as (assets) liabilities RMB'000
At 31 December 2018						
Currency forward contracts:						
Inflow	**(210,372)**	**–**	**–**	**–**	**(210,372)**	**(210,372)**
Outflow	**208,948**	**–**	**–**	**–**	**208,948**	**208,948**
	(1,424)	**–**	**–**	**–**	**(1,424)**	**(1,424)**
Currency option contracts:						
Inflow	**(1,590,658)**	**–**	**–**	**–**	**(1,590,658)**	**(1,590,658)**
Outflow	**1,608,559**	**–**	**–**	**–**	**1,608,559**	**1,608,559**
	17,901	**–**	**–**	**–**	**17,901**	**17,901**
At 31 December 2017						
Currency forward contracts:						
Inflow	(214,270)	–	–	–	(214,270)	(214,270)
Outflow	217,982	–	–	–	217,982	217,982
	3,712	–	–	–	3,712	3,712
Currency option contracts:						
Inflow	(559,097)	–	–	–	(559,097)	(559,097)
Outflow	582,379	–	–	–	582,379	582,379
	23,282	–	–	–	23,282	23,282

38. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement of financial instruments

Fair value of financial instruments that are measured at fair value on a recurring basis

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2018				
Financial assets				
Commodity futures contracts	**–**	**5,498**	**–**	**5,498**
Other derivative financial instruments	**–**	**114,468**	**–**	**114,468**
Financial liabilities				
Commodity futures contracts	**–**	**40,051**	**–**	**40,051**
Other derivative financial instruments	**–**	**18,057**	**–**	**18,057**
Gold loans	**–**	**2,748,328**	**–**	**2,748,328**
At 31 December 2017				
Financial assets				
Commodity futures contracts	–	4,648	–	4,648
Other derivative financial instruments	–	12,597	–	12,597
Financial liabilities				
Commodity futures contracts	–	10,948	–	10,948
Other derivative financial instruments	–	39,786	–	39,786
Gold loans	–	1,804,969	–	1,804,969

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).

38. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement of financial instruments (Continued)

Fair value of financial instruments that are measured at fair value on a recurring basis (Continued)

		Fair value At 31 December 2018 RMB'000	2017 RMB'000	Fair value hierarchy	Valuation technique
Copper futures contracts:	Assets	**2,049**	4,287	Level 2	Note 1
	Liabilities	**39,692**	7,956	Level 2	Note 1
Gold futures contracts:	Assets	**1,508**	361	Level 2	Note 1
	Liabilities	**359**	–	Level 2	Note 1
Gold forward contracts:	Assets	**113,044**	12,597	Level 2	Note 2
	Liabilities	**–**	9,705	Level 2	Note 2
Silver futures contracts:	Assets	**1,941**	–	Level 2	Note 1
	Liabilities	**–**	2,992	Level 2	Note 1
Copper option contracts:	Liabilities	**156**	–	Level 2	Note 2
Currency forward contracts:	Assets	**1,424**	–	Level 2	Note 2
	Liabilities	**–**	3,712	Level 2	Note 2
Currency option contracts:	Liabilities	**17,901**	26,369	Level 2	Note 2
Gold loans:	Liabilities	**2,748,328**	1,804,969	Level 2	Note 3

Notes:

(1) Calculating by reference to the quoted prices in active markets.

(2) Discounted cash flows, future cash flows are estimated based on forward exchange rates/prices and contracted forward rates/prices, discounted at a rate that reflects the credit risk of various counterparties.

(3) Discounted cash flows, future cash flows are estimated based on gold forward prices that are discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and 2 for the years ended 31 December 2018 and 2017, and there were no transfers into or out of Level 3 during both years.

Fair value of financial instruments that are not measured at fair value on a recurring basis

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.

39. TRANSFERS OF FINANCIAL ASSETS

The following are the financial assets of the Group (measured at amortised cost) transferred to suppliers, Daye Finance Company or banks, which did not qualify for derecognition in their entirety, at the end of the reporting periods:

	Bills receivables endorsed RMB'000	Bills receivables discounted RMB'000
At 31 December 2018		
Carrying amount of transferred assets	**33,505**	**218,050**
Carrying amount of associated liabilities	**(33,505)**	**(218,050)**
Net position	**–**	**–**
At 31 December 2017		
Carrying amount of transferred assets	48,872	–
Carrying amount of associated liabilities	(48,872)	–
Net position	–	–

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivables to Daye Finance Company and the respective banks by discounting the bills receivables for cash. The Directors consider the Group did not transfer substantially all of the risks and rewards of ownership of the bills receivables and continued to recognise the bills receivables. Associated liabilities have been recognised and included in bank and other borrowings.

In addition, the Group endorsed certain bills receivables to suppliers to exchange for goods and services from those suppliers which transferred the contractual rights to receive cash flows from those bills receivables to the respective suppliers. The Directors consider the Group did not transfer substantially all of the risks and rewards of ownership of the bills receivables and continued to recognise the bills receivables and the associated trade payables.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings (Note 31) RMB'000	Convertible note RMB'000	Promissory note (Note 33) RMB'000	Amounts due to a joint venture and Daye Group under other payables and accrued expenses (Note 29(b)) RMB'000	Other payables RMB'000	Total RMB'000
At 1 January 2017	8,781,562	880,609	–	48,201	33,543	9,743,915
Financing cash flows	(799,058)	–	–	(878)	(378,580)	(1,178,516)
Fair value adjustments	211,842	(1)	–	–	–	211,841
Interest expenses	–	17,210	34,807	–	373,409	425,426
Exchange differences	(50,837)	(6,281)	–	–	–	(57,118)
Redemption of convertible note	–	(891,537)	891,537	–	–	–
At 31 December 2017	8,143,509	–	926,344	47,323	28,372	9,145,548
Financing cash flows	1,248,731	–	–	(1,976)	(28,372)	1,218,383
Fair value adjustments	155,960	–	–	–	–	155,960
Interest expenses	394,488	–	42,348	–	–	436,836
Exchange differences	72,721	–	–	–	–	72,721
At 31 December 2018	10,015,409	–	968,692	45,347	–	11,029,448

41. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases certain lands and premises under non-cancellable operating leases to Daye Group and fellow subsidiaries with lease terms ranging from 1 to 10 years.

At the end of each reporting period, the Group had contracted with tenants for following future minimum lease payments which fall due as follows:

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Within one year	**4,805**	12,105
In the second to fifth year inclusive	**9,196**	4
Over five years	**364**	5
	14,365	12,114

The Group as lessee

The Group leases certain lands and premises under non-cancellable operating leases from Daye Group for 30 years. The Group also leases certain of office properties and staff apartments under non-cancellable operating leases from independent third parties with lease terms 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 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	
	2018	2017
	RMB'000	RMB'000
Within one year	**12,787**	13,502
In the second to fifth year inclusive	**51,017**	51,017
Over five years	**204,066**	216,820
	267,870	281,339

42. CAPITAL COMMITMENTS

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of:		
Acquisition of property, plant and equipment	**374,531**	364,549

43. CONTINGENT LIABILITIES

As at 31 December 2017, the Group provided guarantees with an aggregate amount of RMB100,000,000 to banks in favour of a joint venture of the Group in respect of the banking facilities provided by the banks to that joint venture. The above guarantees were released upon the termination of such banking facilities during the current year.

44. RELATED PARTY TRANSACTIONS

Transactions and balances with the PRC government-related entities

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

Transactions with China Nonferrous Metal Mining (Group) Co., Ltd. Group

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	Year ended 31 December 2018 RMB'000	2017 RMB'000
Income:				
Sales of non-ferrous metals*	(i)	Daye Group	**444,570**	1
	(i)	Fellow subsidiaries	**3,324,536**	2,153,201
Sales of other materials*	(i)	Daye Group	**165**	358
	(i)	Fellow subsidiaries	**92,342**	113,120
Sales of other materials	(i)	Fellow subsidiaries	**–**	9
Rendering of services*	(i)	Daye Group	**324**	2,463
	(i)	Fellow subsidiaries	**313**	1,964
Rendering of services	(i)	Fellow subsidiaries	**482**	–
Interest income*	(ii)	Daye Finance Company	**9,084**	9,942
Interest income	(ii)	A joint venture	**4,854**	532
Interest income	(vi)	Daye Group	**2,732**	–
Rental income for leasing of assets*	(iii)	Daye Group	**7,526**	9,974
	(iii)	Fellow subsidiaries	**2,843**	2,598
Rental income for leasing of lands	(iii)	Fellow subsidiaries	**833**	932

44. RELATED PARTY TRANSACTIONS (Continued)

Transactions and balances with the PRC government-related entities (Continued)

Transactions with China Nonferrous Metal Mining (Group) Co., Ltd. Group (Continued)

	Notes	Related parties	Year ended 31 December 2018 RMB'000	2017 RMB'000
Expenses:				
Transportation fees*	(i)	An associate of Daye Group	**1,679**	2,674
Utilities fees*	(i)	Fellow subsidiary	**306,492**	290,347
	(i)	Daye Group	**1,553**	1,418
Purchases of non-ferrous metals*	(i)	Daye Group	**18,029**	5,814
	(i)	Fellow subsidiaries	**1,164,422**	731,734
	(i)	An associate of Daye Group	**14,315**	75,066
Purchases of other products*	(i)	Daye Group	**102**	30
	(i)	Fellow subsidiaries	**93,068**	41,364
Other service expense*	(i)	Fellow subsidiaries	**14,426**	3,382
Rental expense for leasing of lands*	(iii)	Daye Group	**11,595**	11,490
Rental expense for leasing of lands	(iii)	Fellow subsidiaries	**944**	935
Rental expense for leasing of assets (premises)*	(iii)	Fellow subsidiaries	**1,474**	5,156
Interest expense	(iv)	Daye Group	**28,888**	50,961
	(iv)	Daye Finance Company	**15,584**	15,411
	(iv)	Fellow subsidiaries	**20,372**	16,717
	(v)	China Times	**42,348**	52,017
Purchase of accommodation, catering, conference and other services	(i)	An associate of Daye Group	**19**	523
Bills acceptance and settlement services fees*	(i)	Daye Finance Company	**–**	85
Capital expenditures:				
Construction contract fees*	(i)	Fellow subsidiaries	**150,106**	235,804
Other service fees*	(i)	Fellow subsidiaries	**46,679**	106,794

* These related party transactions also constituted continuing connected transactions which are subject to annual review and relevant requirements under chapter 14A of the Listing Rules.

44. RELATED PARTY TRANSACTIONS (Continued)

Transactions and balances with the PRC government-related entities (Continued)

Transactions with China Nonferrous Metal Mining (Group) Co., Ltd. Group (Continued)

Notes:

(i) These transactions were conducted in accordance with terms of the relevant agreements, of which the transaction price was determined based on the government-prescribed price or by reference to market price.

(ii) The interest income arose from the deposits placed with Daye Finance Company and amounts due from a joint venture. Further details of the deposits with Daye Finance Company and amounts due from a joint venture at the end of the reporting period are set out in Notes 25.and 27, respectively.

(iii) These transactions were conducted in accordance with terms of the relevant agreements, of which the rentals for leasing lands/assets were determined by reference to the amortisation/depreciation of the relevant lands/assets.

(iv) The interest expense arose from unsecured loans from Daye Group, Daye Finance Company and a fellow subsidiary. Further details of the loans at the end of the reporting period are set out in Note 31.

(v) The interest expense arose from promissory note from China Times. Further details of the promissory note at the end of the reporting period are set out in Notes 33.

(vi) The interest income arose from the amounts due from Daye Group. Further details of the amounts are set out in Note 25.

As at 31 December 2018, the aggregate amounts due from and deposits with Daye Group and its subsidiaries amounted to RMB1,992,388,000, and the aggregate amounts due to and loans from Daye Group and its subsidiaries amounted to RMB2,276,349,000. Details of the above balances are disclosed in the respective notes to the consolidated financial statements.

Transactions with other the PRC government-related entities

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

Compensation of key management personnel of the Group

The key management personnel of the Group includes the directors (which are also top executives of the Company). The remuneration of certain of the directors was borne by Daye Group during the current and prior years. Further details of Directors' emoluments are included in Note 13.

45. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government authority. The PRC subsidiaries are required to contribute specified rate of the employees' salaries to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are required to make contributions to the scheme at rates specified in the rules separately. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB123,179,000 for the year ended 31 December 2018 (2017: RMB109,325,000).

46. DETAILS OF SUBSIDIARIES

Particulars of the principal subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment and principal place of operation	Issued and fully paid-up capital	Effective equity interest held by the Company At 31 December 2018	2017	Principal activities
China Daye Hong Kong International Trading Ltd. (Note (a))	British Virgin Islands/ Hong Kong	US$1	100%	100%	Trading of metals and minerals
大冶有色設計研究院有限公司 (Daye Non-ferrous Design and Research Institute Company Limited*) (Notes (b) and (c))	PRC/PRC	RMB6,800,000	95.35%	95.35%	Research and development
大冶有色金屬有限責任公司 (Daye Non-ferrous Metals Co., Ltd.*) ("Hubei Daye") (Notes (b) and (d))	PRC/PRC	RMB1,490,977,877	95.35%	95.35%	Mining and processing of mineral ores and trading of metal concentrates
大冶有色興科建設工程質量檢測有限公司 (Daye Non-ferrous Xingke Construction Works Quality Inspection Company Limited*) (Notes (b) and (c))	PRC/PRC	RMB1,000,000	95.35%	95.35%	Quality testing of construction projects
Hui Xiang (Notes (b) and (d))	PRC/PRC	RMB226,000,000	55%	55%	Mineral exploitation
昆明大鑫貿易有限公司 (Kunming Daxin Trading Co., Ltd.*) (Notes (b) and (c))	PRC/PRC	RMB10,000,000	48.63%	48.63%	Trading of metals and minerals
Reservoir (Mongolia) Limited (Note (b))	The Republic of Mongolia/ The Republic of Mongolia	US$100,000	51%	51%	Mineral exploitation
湖北潤寶金屬礦業有限責任公司 (Hubei Rainbow Metals Co., Ltd.*) (Notes (b) and (e))	PRC/PRC	RMB3,944,400	100%	100%	Trading of metals and minerals

* The English names are translations of their Chinese names and are included for identification purpose only, and should not be regarded as their official English translation.

Notes:

(a) This subsidiary is directly held by the Company.

(b) These subsidiaries are indirectly held by the Company.

(c) These subsidiaries are PRC limited liability companies.

(d) These subsidiaries are sino-foreign owned enterprises established in the PRC.

(e) This subsidiary is a wholly-foreign owned enterprise established in the PRC.

46. DETAILS OF SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length. None of the subsidiaries had any debt securities outstanding as at 31 December 2018 and 2017 or at any time during both years.

Details of non-wholly-owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of establishment and place of business	Proportion of ownership interests held by non-controlling interests	(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018 and 2017	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Hubei Daye	PRC	4.65%	**(2,214)**	(1,373)	**170,596**	172,810
Hui Xiang	PRC	45%	**15,148**	7,525	**15,890**	741
Individually immaterial subsidiaries with non-controlling interests			**1,423**	(96)	**(7,933)**	(9,355)
Total			**14,357**	6,056	**178,553**	164,196

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

46. DETAILS OF SUBSIDIARIES (Continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

Hubei Daye

	At 31 December 2018 RMB'000	2017 RMB'000
Current assets	**8,371,620**	6,788,938
Non-current assets	**7,957,961**	8,264,261
Current liabilities	**(7,717,323)**	(5,981,974)
Non-current liabilities	**(4,943,520)**	(5,354,884)
Net assets	**3,668,738**	3,716,341
Equity attributable to owners of the Company	**3,498,142**	3,543,531
Non-controlling interests of Hubei Daye	**170,596**	172,810
Total equity	**3,668,738**	3,716,341
Revenue	**30,483,628**	33,361,530
Expenses	**(30,531,231)**	(33,391,050)
Loss and total comprehensive expense for the year	**(47,603)**	(29,520)
Loss and total comprehensive expense attributable to:		
Owners of the Company	**(45,389)**	(28,147)
Non-controlling interests of Hubei Daye	**(2,214)**	(1,373)
	(47,603)	(29,520)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow/(outflow) from:		
Operating activities	**150,174**	1,758,467
Investing activities	**(1,563,565)**	(422,476)
Financing activities	**1,368,038**	(1,489,796)
Net cash outflow	**(45,353)**	(153,805)

46. DETAILS OF SUBSIDIARIES (Continued)

Details of non-wholly-owned subsidiaries that have material non-controlling interests (Continued)

Hui Xiang

	At 31 December	
	2018	2017
	RMB'000	RMB'000
Current assets	**87,254**	77,977
Non-current assets	**1,132,991**	1,212,118
Current liabilities	**(506,393)**	(753,932)
Non-current liabilities	**(678,543)**	(534,517)
Net assets	**35,309**	1,646
Equity attributable to owners of the Company	**19,419**	905
Non-controlling interests of Hui Xiang	**15,890**	741
Total equity	**35,309**	1,646
Revenue	**339,171**	374,370
Expenses	**(305,509)**	(357,650)
Profit and total comprehensive income for the year	**33,662**	16,720
Profit and total comprehensive income attributable to:		
Owners of the Company	**18,514**	9,195
Non-controlling interests of Hui Xiang	**15,148**	7,525
	33,662	16,720
Dividends paid to non-controlling interests	**–**	–
Net cash inflow/(outflow) from:		
Operating activities	**48,779**	99,431
Investing activities	**(25,492)**	(77,610)
Financing activities	**(19,929)**	(18,255)
Net cash inflow	**3,358**	3,566

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	At 31 December 2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**3,785,288**	3,785,288
Unlisted investments in joint ventures	**1**	1
Amounts due from subsidiaries	**503,540**	479,918
	4,288,829	4,265,207
CURRENT ASSETS		
Amounts due from subsidiaries	**765**	80
Amounts due from joint ventures	**33,520**	30,178
Loans to a joint venture	**125,000**	40,000
Cash and bank balances	**133**	1,185
Prepayments and other receivables	**8,397**	8,353
	167,815	79,796
CURRENT LIABILITIES		
Amounts due to subsidiaries	**14,090**	9,831
Amounts due to joint ventures	**1**	1
Loans from a subsidiary	**125,000**	40,000
Other payables and accrued expenses	**48,459**	28,824
	187,550	78,656
NET CURRENT (LIABILITIES)/ASSETS	**(19,735)**	1,140
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,269,094**	4,266,347
CAPITAL AND RESERVES		
Share capital	**727,893**	727,893
Reserves (Note (a))	**2,271,867**	2,312,110
TOTAL EQUITY	**2,999,760**	3,040,003
NON-CURRENT LIABILITIES		
Loans from a subsidiary	**300,642**	300,000
Promissory note	**968,692**	926,344
	1,269,334	1,226,344
	4,269,094	4,266,347

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note (a):

Movements in the Company's reserves

	Share premium RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	124,592	1,825	2,234,191	2,360,608
Loss and total comprehensive expense for the year	–	–	(48,498)	(48,498)
At 31 December 2017	124,592	1,825	2,185,693	2,312,110
Loss and total comprehensive expense for the year	–	–	(40,243)	(40,243)
At 31 December 2018	124,592	1,825	2,145,450	2,271,867