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**

# 2019

# 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:

Mr. Wang Yan *(Chairman) (appointed on 23 April 2019)*
Mr. Long Zhong Sheng *(Chief Executive Officer)*
Mr. Yu Liming
Mr. Chen Zhimiao *(appointed on 21 June 2019)*

### Independent Non-executive Directors:

Wang Guoqi
Wang Qihong
Liu Jishun

## AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Wang Guoqi *(Chairman)*
Wang Qihong
Liu Jishun

## NOMINATION COMMITTEE

Wang Yan *(Chairman)*
Wang Guoqi
Wang Qihong
Liu Jishun

## COMPANY SECRETARY

Wong Yat Tung

## 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

## 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 and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Wang Yan**, aged 49, 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 CNMC, 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. Long Zhong Sheng**, aged 57, 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 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. Yu Liming**, aged 47, 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.

**Mr. Chen Zhimiao**, aged 44, graduated from Hubei College of Finance and Economics* (湖北財經高等專科學校) in 1996 majoring in management of state-owned assets and subsequently obtained a bachelor's degree in accounting from Zhongnan University of Economics and Law* (中南財經政法大學) in 2003 and a master's degree in accounting from Wuhan University* (武漢大學) in 2012. Mr. Chen started his career at Daye Metal in 1996. He served as the head of the finance department of Daye Metal from January 2010 to January 2018; and the head of the finance department of Parent Company from January 2018 to April 2018. He served as the chief accountant and a member of the Standing Committee of the Communist Party Committee of China 15th Metallurgical Construction Group Co., Ltd.* (中國十五冶金建設集團有限公司) , a wholly-owned subsidiary of CNMC, from April 2018 to May 2019. In May 2019, Mr. Chen was appointed as the chief accountant of the Parent Company, and as a director and the chief accountant of Daye Metal. Mr. Chen has been engaged in the non-ferrous metals industry for over 20 years and has extensive experience in areas relating to accounting and finance.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Wang Guoqi**, aged 58, 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. 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 65, 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 62, 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 (中國核工業集團公司長沙230研究所) in January 1982. He worked as a researcher from October 1989 to October 1991 in the mobile station 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).

## SENIOR MANAGEMENT

**Mr. Chen Zhiyou**, aged 56, has been the vice president of the Company since February 2016. He is responsible for quality management, measurement management, metal balance management and brand building. Mr. Chen has more than 36 years of professional experience in heavy metal smelting. From November 2006 to December 2012, he was the factory director of the rare and precious metal plant (稀貴金屬廠). He has been the deputy general manager and a member of the Communist Party Committee of Daye Metal since May 2011. He has been a member of the Communist Party Committee since December 2012 and an assistant to the general manager since August 2019 in the Parent Company. He graduated from heavy metal smelting studies in Changsha Metallurgical Industry School (長沙冶金工業學校) in 1984. He obtained a postgraduate in economic management at Hubei Provincial Party School (湖北省委黨校) in 2014.

# Chairman's Statement

**Wang Yan**
Chairman of the Board

Dear Shareholders,

On behalf of the board of directors of China Daye Non-Ferrous Metals Mining Limited, I am pleased to present to the shareholders of the Company the annual report of the Company and its subsidiaries for the year ended 31 December 2019.

Revenue for the year ended 31 December 2019 amounted to approximately RMB32,805,685,000 (2018: RMB30,749,010,000), representing a year-on-year increase of approximately 6.69%. Profit for the year was approximately RMB173,548,000 (2018: loss of RMB86,602,000), representing a year-on-year increase of approximately RMB260,150,000. The increase was primarily attributable to (i) rising prices of precious and rare metal products such as gold and silver; (ii) enhanced efficiencies by the improved production volume output of mined copper cathode, and (iii) receipts of government grants in relation to early employee retirement.

In 2019, the Group produced a total of approximately 29,500 tonnes of mined copper, a decrease of approximately 1.67% over the same period last year; approximately 533,100 tonnes of copper cathode, an increase of approximately 6.53% over the same period last year; approximately 1,273.03 tonnes of precious metals (including approximately 10.66 tonnes of gold, approximately 1,226.97 tonnes of silver, approximately 21.00 kg of platinum, approximately 305.00 kg of palladium and approximately 35.07 tonnes of tellurium), an increase of approximately 16.34% over the same period last year; approximately 1,178,300 tonnes of chemical products such as the production of sulphuric acid (including approximately 1,174,500 tonnes of sulphuric acid, approximately 463.46 tonnes of nickel sulphate, approximately 3,138.37 tonnes of copper sulfate and approximately 197.11 tonnes of crude selenium), an increase of approximately 15.34% over the same period last year; approximately 224,100 tonnes of iron concentrate, a decrease of approximately 8.72% over the same period last year; and approximately 78.06 tonnes of molybdenum concentrate, a decrease of approximately 5.68% over the same period last year.

# Chairman's Statement

In 2019, with more complicated and volatile macroeconomic environment, the copper industry faced severe challenges particularly because of the sharp decline in copper smelting processing fees and sulfuric acid price which exerted great pressure on achieving our operating objectives for the year. Against this background, we strived to overcome difficulties despite pressure and spared no efforts to "reduce costs and increase efficiency, prevent and control risks, optimise audit, deepen reform, enhance capabilities and improve people's livelihood" for improvement under market-oriented objectives and measures as well as enterprise reform initiated by the State-Owned Assets Supervision and Administration Commission (the "SASAC"), with all tasks achieving further effectiveness.

## (I) Improving quality and efficiency with total achievement in operating objectives

The Ausmelt furnace has gone through upgrades twice in three years, realising industry-leading level in terms of life span, while the utilisation rate of the smelting system under operation reached a record high of 95.5% since commencement of production. The Company scientifically arranged production to fill the gap of production volume in a timely manner, with economic indicators steadily improving to realise technical efficiency, reducing costs and expenses to realise cost reduction and efficiency enhancement, and steady progress of market expansion to realise market efficiency was achieved.

## (II) Committing to the principal business with ongoing optimisation of the industrial layout

The progress of mine development projects exceeded the annual scheduled target and the project with a capacity of 400,000 tonnes was in progress as scheduled. We fully leveraged our comparative advantages including scale, technology, talents, location and management to realise innovative investment research model. At the beginning of 2019, we completed reviewing the feasibility study report on our projects, laying a foundation for the progress of the projects. Circular economy has become the highlight for the year. The synergy effect of the smelting system was given full play due to the combination of Ausmelt furnace and the circuit board processing project. The project received fund support of RMB2,170,000 provided by Global Environment Facility, which was jointly developed by the Ministry of Ecology and Environment and the United Nations Development Programme.

## (III) Deepening reform with breakthroughs in key areas

With focus on improving results, enhancing efficiency and strengthening vitality, we promoted implementation of enterprise reform initiated by the SASAC and comprehensively deepened our reform work. We optimised organisation structure by conducting comprehensive appraisal on all mid-level management personnel, selecting candidates with outstanding performance, and steadily promoting the reform of position and rank, which further expanded the career development path for management and technical personnel. New progress was made in streamlining the management and corporate structure. To align with the market requirements, the Company established a "6 + 2" management and control model with hierarchical positioning and hierarchical management, continuously adjusting and optimising the functional departments of the headquarter and all units, and re-examined every institution and their personnel. The issues caused by the restructuring were properly dealt with, and the settlement of personnel from the Tonglvshan Mine and Tongshankou Mine after the large-scale restructure was completed. The Company also continued to strengthen its effort on turning losses into profits.

## (IV) Risk prevention and control to achieve compliance operation

We continued to optimise the systems of the Company, devoted our staff and resources into the preparation of the Company's System Handbook 《公司制度選編》, and strengthened the implementation of some major management systems. The Company formulated the Administrative Measures for the Company's System 《公司制度管理辦法》 and established a list of system framework to standardise system management. Great efforts were made to prevent and control operational risks. Guiding Opinions on Strengthening Financial Supervision and Management 《加強財務監督管理的指導意見》 was enacted to strengthen capital supervision and form a financial audit inspection mechanism. The Company formulated the Measures for the Implementation of Accountability for Illegal Operation and Investment 《違規經營投資責任追究實施辦法》 to strengthen the accountability of illegal operation, raise the awareness on compliance operation, and improve the risk prevention and control system. The Company completed the tailings storage facility close-down of Tonglvshan Mine and carried out the treatment of underground water in Tonglvshan Mine. Tongshankou Mine and Sareke Copper Mine in Xinjiang completed the construction of green mines, and were listed, along with the Fengshan Copper Mine, in the list of national green mines, which facilitated the green development of mines. We solidified the bottom line for integrity risk control, sorted out the systems of key areas such as engineering construction, investment decision-making and material procurement as well as the key procedures to further improve the supervision, control and prevention measures. The Company has established a procurement management system to integrate the requirements for integrity as well as risk prevention and control into all aspects of material procurement and operation, so as to strengthen the binding effect of the system through supervision, inspection and assessment.

### (V) Cultivating talents to strengthen their capabilities for supporting our development

The Company continued to strengthen capability improvement, talent recruitment, technology innovation and basic management to provide support for its fast and high-quality development.

We continued to carry out rotation trainings for management and technical personnel to further improve their comprehensive ability and business quality, and sent technical and management personnel to participate intensively in the preliminary design of the project with capacity of 400,000 tonnes and the research on the idea of intelligent factory construction, hence strengthening practical training. The Accounting Committee was newly established to enhance learning, exchange and communication among employees, promote finance and business integration, and to better support major decisions, major projects and professional management. The Company continued to strengthen the training of high-calibre employees and pair leaders with young talents of the Company. We introduced remuneration policies and home purchase incentives for attracting talents, and continuously expanded various talent introduction channels for recruiting talents from all fields to alleviate the shortage of talents. Internal selection of talents was carried out properly to support and guarantee provision of human resources. We also continuously pushed forward technology innovation, and systematically revised the Administrative Measures for Scientific Research《科研管理辦法》, the Incentive Measures for Science and Technology《科技獎勵辦法》and the Appraisal Measures for the Technology Committee《技術委員會考核辦法》, hence improving the incentive mechanism for technology innovation.

By the end of January 2020, the COVID-19 virus began to spread in Wuhan, Hubei Province, the PRC, and as a result, Huangshi City, where the Group's headquarter is based, was also under certain impact. The Group adopts strict prevention and control measures, including ongoing purchase of masks, disinfectants, protective suits and other supplies for its employees to use on the job, recording employees' temperature and other health indicators on a daily basis, and keeps reminding employees to be aware of health and epidemic prevention etc., so as to protect the health of employees in the production base. During the period of the epidemic, the procurement of production materials and sales of products were carried out normally, and therefore the uninterrupted production of products can be ensured. With the efforts of the government and all the citizens, the number of new cases in Huangshi area had been zero for many consecutive days, which is an indication that the epidemic is under control. Currently, the Group continues to maintain a high degree of preparedness for the epidemic, and all production and operation are in normal progress.

The world today is facing unprecedented huge changes in the century, and the trend of accelerated global evolution is becoming more obvious. With rising global resources nationalism and protectionism, Sino-US trade frictions have shown signs of long-term, global and complicated development. As China is in a critical period of transforming development model, optimising economic structures and shifting growth drivers, intertwining structural, institutional and cyclical issues will have an increasingly profound impact on China. On the macro side, complexity and volatility will still exist with increasing unstable and uncertain factors, leading to greater challenges for risk control.

# Chairman's Statement

As China enters the medium and late phase of industrialisation, the consumption of non-ferrous metal products will be close to the peak, and the growth rate will slow down. Although currently the production, apparent consumption and absolute consumption of copper are still growing, intensity of copper consumption per trillion RMB of production value has been decreasing, and it is expected that demand for refined copper consumption may reach the plateau phase during the "14th Five-Year Plan" period and the turning point may appear afterwards. Meanwhile, the scale of domestic copper smelting is still expanding even more rapidly. It has become a general trend in the future to resolve overcapacity and increase industry concentration through integration and restructuring. The integration and restructuring as well as market clearing of the steel industry have created market mechanisms and external conditions for the sustainable and healthy development of the industry. As a result, with increasing downward pressure on the economy and intensifying competition in the copper industry, the opportunities for restructuring and integration may arise any time under the combined effect of significant decrease in copper smelting processing fees and tightening liquidity.

The more complicated the world economy has become, the more severe the downward pressure on the economy will affect the market and intensify competition. The Company has set cost control as its objective for 2020, with focus on cost reduction to promote enhancement of quality and efficiency. We will prepare in advance and react to the circumstances and changes, staying open-minded to actively grasp any strategic opportunities arising from industry restructuring and integration. We shall be well-prepared for the difficulties ahead and strengthen our efforts in risk prevention and control so as to achieve stable and healthy development. We shall also pay close attention to the changes in the industry and strive to seize opportunities of feasible restructuring and integration as they arise.

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.

**Wang Yan**
Chairman of the Board

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB32,805,685,000 (2018: RMB30,749,010,000), representing an increase of approximately 6.69% from the previous year, attributable to (i) rising prices of precious and rare metal products such as gold and silver; (ii) increases in production and sales volume of mined copper cathode.

### Cost of sales and services rendered

For the year ended 31 December 2019, the cost of sales and services rendered of the Group amounted to approximately RMB31,788,017,000 (2018: RMB29,806,274,000), representing an increase of approximately 6.65% from the previous year, which was attributable to increases in production and sales volume of copper cathode.

### Gross profit

Gross profit increased by approximately 7.95% to approximately RMB1,017,668,000, compared with approximately RMB942,736,000 in the same period of 2018. The increase in gross profit was mainly attributable to rising prices of precious and rare metal products such as gold and silver.

### Other income

Other income for the year ended 31 December 2019 amounted to approximately RMB160,719,000 (2018: RMB75,704,000), representing an increase of approximately 112.30% from the previous year, which was primarily attributable to the receipt of government grants for early employee retirement.

### Other operating expenses

Other operating expenses decreased by approximately 92.56% to approximately RMB8,295,000, compared with approximately RMB111,488,000 in the same period of 2018. 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 2019 amounted to a net gain of approximately RMB13,802,000 (2018: a net loss of RMB121,132,000), representing an increase of approximately RMB134,934,000 from the previous year. The increase was primarily due to the decline in the effect of exchange losses and disposal of assets.

### Income tax expenses

Income tax expense for the year ended 31 December 2019 amounted to approximately RMB52,697,000 (2018: RMB40,152,000), representing an increase of approximately 31.24% from the previous year, which was primarily due to the increase in deferred tax expense when compared with the previous year.

### Earnings per share

For the year ended 31 December 2019, basic earnings per share amounted to RMB0.82 fen (2018: loss of RMB0.56 fen).

## MINERAL RESOURCES AND ORE RESERVES

As at 31 December 2019, 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 2019.

### 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 | | 1.29 | |
| 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% | | 1.03% | 0.82% |
| JORC classification | Indicated | Inferred | Indicated | Inferred | Indicated | Inferred | Indicated | Inferred | Indicated | Inferred |
| Ore quantity (million tonnes) | 14 | 19 | 8.9 | 22 | 36 | 17 | 0.297 | 0.256 | 14.81 | 1.9 |
| Resources metal quantity | | | | | | | | | | |
| Copper (tonnes) | 170,000 | 210,000 | 65,000 | 150,000 | 240,000 | 100,000 | 1,640 | 3,040 | 153,185 | 15,390 |
| Iron (million tonnes) | 2.7 | 3.9 | – | – | – | – | – | – | – | – |
| Molybdenum (tonnes) | – | – | 400 | 2,700 | 3,300 | 3,400 | 2 | 35 | – | – |
| Gold (ounce) | 240,000 | 310,000 | – | – | – | – | – | – | – | – |
| Silver (thousand ounce) | 2,000 | 3,400 | – | – | – | – | – | – | – | – |

*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 of Statement on Mineral Resources Quantity and Ore Reserves of Three Copper Mine Projects in Daye, Hubei Province, the PRC (《中國湖北省大冶三個銅礦項目礦產資源量和礦石儲量陳述》).

(3) All resources quantities are estimated based on information as of 31 December 2019 (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 2019.

# Management Discussion and Analysis

## Tonglvshan Project Summary

As at 31 December 2019, 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 | 14 | 1.2 | 20 | 9.3 | 0.8 | 6.8 |
| Inferred | 19 | 1.1 | 21 | 13 | 0.8 | 8.3 |
| **Total** | **33** | **1.2** | **20** | **22** | **0.8** | **7.6** |
| **Reserves (CuEq≥0.79%)** | | | | | | |
| Probable (in mining licence) | 8.1 | 1.1 | 17.5 | 8.1 | 0.5 | 3.3 |
| Probable (in exploration licence) | 2.6 | 1.1 | 15.3 | 2.6 | 0.5 | 6.8 |
| **Total Probable** | **10.8** | **1.1** | **17.0** | **10.8** | **0.5** | **4.1** |

*Note:*

(1) Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

## Fengshan Project Summary

As at 31 December 2019, 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 | | | | Metal Quantity | |
|---|---|---|---|---|---|
| | Quantity (million tonnes) | Cu (%) | Mo (%) | Cu (tonne) | Mo (tonne) |
| **Resources (CuEq≥0.3%)** | | | | | |
| Indicated | 8.9 | 0.7 | 0.004 | 65,000 | 400 |
| Inferred | 22 | 0.7 | 0.012 | 150,000 | 2,700 |
| **Total** | **31** | **0.7** | **0.01** | **220,000** | **3,100** |
| **Reserves (CuEq≥0.43%)** | | | | | |
| Probable (in mining license) | 5.4 | 0.7 | 0.003 | | |
| **Total Probable** | **5.4** | **0.7** | **0.003** | | |

*Note:*

(1) Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

## Tongshankou Project Summary

As at 31 December 2019, 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 | 3.1 | 0.6 | 0.01 |
| Open cut area | Inferred | 0.1 | 0.3 | 0.014 |
| **CuEq≥0.13%** | **Total** | **3.1** | **0.6** | **0.01** |
| In licence | Indicated | 33 | 0.7 | 0.009 |
| Underground area | Inferred | 12 | 0.6 | 0.014 |
| **CuEq≥0.4%** | **Total** | **44** | **0.7** | **0.01** |
| Out of licence | Indicated | 0.2 | 0.9 | 0.009 |
| Underground area | Inferred | 5.0 | 0.6 | 0.035 |
| **CuEq≥0.4%** | **Total** | **5.2** | **0.6** | **0.034** |
| Total | Indicated | 36 | 0.7 | 0.009 |
| Open cut & underground area | Inferred | 17 | 0.6 | 0.02 |
| **In and out of licence** | **Total** | **52** | **0.7** | **0.013** |
| **Reserves** | | | | |
| Open cut area (CuEq≥0.17%) | Probable | 2.6 | 0.50 | 0.011 |
| Underground area (CuEq≥0.50%) | Probable | 14.5 | 0.7 | 0.006 |
| | **Total** | **17.1** | **0.67** | **0.006** |

*Note:*

(1) Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

# Management Discussion and Analysis

## Chimashan Project Summary

As at 31 December 2019, 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 16 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 2019.

## Sareke Project Summary

As at 31 December 2019, 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 | 14.81 | 1.03 | 153,185 |
| | Inferred | 1.9 | 0.82 | 15,390 |
| | **Total** | **16.71** | **1.01** | **168,575** |

### 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 | 682 | 0.80 | 5,453 |
| **Reserves** | 2,730~2,790 | 204 | 1.02 | 2,076 |
| | 2,670~2,730 | 2,553 | 1.58 | 40,465 |
| | <=2,670 | 2,505 | 0.70 | 17,553 |
| | **Total** | **6,418** | **1.09** | **70,087** |

*Note:*

(1) Please refer to the explanatory notes on page 16 for details of the assumptions and parameters used to calculate these resource and reserve numbers and 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 0.13% copper equivalent, and reported at a cut-off grade of 0.43% copper equivalent for underground operations and 0.17% copper equivalent for open pit operations.

(4) Ore reserves are estimated using minimum cut-off grades of 0.79%, 0.43%, 0.17%, 0.50%, 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) | 36,011 | 35,589 | 35,950 | 48,935.00 |
| Iron (RMB/t) | 650 | | | |
| Gold (RMB/g) | 267 | | | 235.00 |
| Silver (RMB/g) | 2.38 | | | 6.00 |
| Molybdenum (RMB/kg) | | 90.1 | | 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 1 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 2019:

| Mines | Exploration activities | Development activities | Mining production activities |
|---|---|---|---|
| **Tonglvshan Mine** | Horizontal drilling reached 7,645.2m/90 holes, and pit drilling reached 1,560m/12,269m$^3$. | The total completed drilling volume of middle portion, sublevel for the development of the -545m to -605m middle portion of Tonglvshan Mine was 15,601m$^3$ in 2019. | Copper: 9,314 tonnes<br>Gold: 524 kg<br>Silver: 3,878 kg<br>Iron concentrate: 224,100 tonnes |
| **Fengshan Mine** | Horizontal drilling reached 3,608m/46 holes, and pit drilling reached 3,635.3m/26,423.4m$^3$. | The total completed drilling volume of middle portion for the development of the -440m middle portion of Fengshan Copper Mine was 14,896m$^3$. The completed drilling volume for the development of the -440m to -550m mining ramps of the south edge and middle portion of Fengshan Copper Mine was 5,498m$^3$. | Copper: 5,131 tonnes<br>Gold: 106 kg<br>Silver: 4,007 kg<br>Molybdenum: 78 tonnes |
| **Tongshankou Mine** | Horizontal drilling reached 2,632m/39 holes, and pit drilling reached 410.3m/4,250.3m$^3$. | The total completed drilling volume of middle portion and sublevel drift for the development of the -220m to -280m middle portion of Tongshankou Mine was 17,446m$^3$. | Copper: 6,789 tonnes<br>Silver: 3,169 kg<br>Molybdenum: 0 tonnes |
| **Chimashan Mine** | No significant progress was made in 2019. | | |
| **Sareke Copper Mine** | 1. Horizontal drilling of the pit of the Northern mine reached 5,073.7m/94 holes, and pit drilling reached 341.1m/2,734.3m$^3$.<br>2. Horizontal drilling of the Southern mine exploration project reached 5,915.99m/20 holes. | For the Sareke Copper Mine, the total completed drilling volume was 1,095.4m/10,843.6m$^3$. The accumulative completed drilling volume for the development of the 2,640m middle portion was 143m/1,517.8m$^3$. The accumulative completed drilling volume for the development of the 2,670m middle portion was 928.5m/9,157.2m$^3$. The accumulative completed drilling volume for the development of the 2,730m middle portion was 23.9m/168.6m$^3$. | Copper: 8,258 tonnes<br>Silver: 6,710 kg |

## Expenditures incurred

During 2019, we incurred approximately RMB251,361,290 (2018: RMB1,476,160,000) on exploration, development and mining production activities, details of which are set out below:

Unit: RMB'000

| Mines | Operating expenses | Capital expenditure | 2019 Total | 2018 Total |
|---|---|---|---|---|
| Tonglvshan Mine | 548,377 | 279,938 | 816,874 | 598,469 |
| Fengshan Mine | 191,091 | 54,708 | 245,799 | 217,268 |
| Tongshankou Mine | 305,377 | 127,537 | 432,914 | 384,484 |
| Chimashan Mine | 9,073 | – | 9,073 | 9,677 |
| Sareke Copper Mine | 226,653 | 24,442 | 251,095 | 266,262 |
| Total | 1,269,131 | 486,625 | 1,755,756 | 1,476,160 |

## Exploration, Development and Mining Expenditures

Unit: RMB'000

| | Tonglvshan Mine | Fengshan Mine | Tongshankou Mine | Chimashan Mine | Sareke Copper Mine |
|---|---|---|---|---|---|
| **Exploration activities** | | | | | |
| Drilling and analysis | 8,778 | 4,423 | 4,689 | – | 8,074 |
| Others | – | – | – | – | – |
| Sub-total | 8,778 | 4,423 | 4,689 | – | 8,074 |
| **Development activities (including mine construction)** | | | | | |
| Purchases of assets and equipment | 3,740 | 3,847 | 4,786 | – | 428 |
| Civil work for construction of tunnels and roads | 264,238 | 46,438 | 102,201 | – | 15,941 |
| Staff cost | – | – | – | – | – |
| Others | 3,182 | – | 15,862 | – | – |
| Sub-total | 271,160 | 50,285 | 122,849 | – | 16,369 |
| **Mining activities (including ore processing)** | | | | | |
| Auxiliary materials | 34,970 | 11,505 | 30,756 | – | 78,031 |
| Power supply | 38,321 | 15,869 | 33,101 | – | 10,348 |
| Staff cost | 137,601 | 78,030 | 64,278 | 3,759 | 21,183 |
| Depreciation | 120,859 | 32,140 | 103,756 | – | 71,096 |
| Taxes and resource compensation | 24,821 | 12,477 | 16,539 | 504 | 12,207 |
| Sub-contracting service | 31,432 | 8,859 | 12,704 | – | – |
| Others (administrative fees, selling expenses, non-operating expenditures) | 160,373 | 32,211 | 44,243 | 4,810 | 33,788 |
| Sub-total | 548,377 | 191,091 | 305,377 | 9,073 | 226,653 |
| Total | 828,315 | 245,799 | 432,915 | 9,073 | 251,096 |

### Infrastructure projects, subcontracting arrangements and purchases of equipment

During 2019, 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 | 62,861 | – | 9,967 | 72,828 |
| Fengshan Mine | 6,084 | – | 7,236 | 13,320 |
| Tongshankou Mine | 24,379 | – | 7,537 | 31,916 |
| Chimashan Mine | – | – | – | – |
| Sareke Copper Mine | 15,941 | – | 484 | 16,425 |
| Total | 109,265 | – | 25,225 | 134,489 |

## OPERATING OBJECTIVES AND STRATEGIES IN 2020

The production volume targets of the Group for 2020 include producing 28,700 tonnes of mined coppers, 505,000 tonnes of copper cathode, 10 tonnes of gold, 850 tonnes of silver, 970,000 tonnes of sulphuric acid, 210,000 tonnes of iron concentrate, 18 kg of platinum, 280 kg of palladium, 400 tonnes of nickel sulfate (containing metal), 180 tonnes of crude selenium, 36 tonnes of tellurium, 3,000 tonnes of copper sulfate and 80 tonnes of molybdenum concentrate.

The Group would satisfactorily fulfill all objectives including the following:

### To implement comprehensive cost management measures

The Group will supervise all units to establish and improve the comprehensive cost management system, and explore the room for cost reduction during its business process with focus on the source to start the process.

### To optimise production organisation and reduce cost

Guided by its production plan, the Company will take into account the three-level balance of mining reserve, cost efficiency and other factors, and flexibly adjust the production organisation method and production volume arrangement. The Company shall step up its effort in making breakthroughs in core technologies of the smelting industry value chains as well as the transformation and application thereof, and continue to optimise the four major production systems for smelting, leaching, chemical process and precious metals as well as optimising the transportation models, raw material structure and energy system with focus on achieving the annual production volume target of the melting plants.

### To strengthen resource development and enhance resource reserves

The Company will carry out full-scale exploration of fringe and in-depth mines, and increase copper reserves by more than 20,000 tonnes through the exploration.

### To promote diversification of raw materials and strengthen the synergy of smelting

With the rapid development of the circular economy industry, expanding market of raw materials with benefit will be the key to improvement of competitiveness in the industry. The Group will increase the purchase of raw materials containing high gold and silver, palladium-containing and nickel-containing materials and blister copper.

# Management Discussion and Analysis

### To ensure achieving the target milestones of the 400,000-ton project

The Group will fully promote the construction of the 400,000-ton project, and simultaneously promote the establishment and optimisation of organisation structure, human resources, systems and procedures, so as to make early preparation for raw materials and human resources.

### To improve corporate governance

The Group will optimise the corporate governance system, improve the management system, optimise the management and control model of the Group, strengthen risk prevention and control and strengthen on-site management.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

## EQUITY

The Company's issued and fully paid share capital as at 31 December 2019 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 2019, the Group's receipts and payments were mainly denominated in RMB.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had restricted and pledged bank deposits, and cash and bank balances of approximately RMB1,546,660,000 (2018: RMB928,275,000), the majority of which were denominated in Renminbi. The Group's current ratio was approximately 1.01 (2018: 1.03), based on current assets of approximately RMB8,324,527,000 (2018: RMB8,364,655,000) divided by current liabilities of approximately RMB8,247,770,000 (2018: RMB8,083,411,000). The Group's gearing ratio as at 31 December 2019 was approximately 380.75% (2018: 449.43%), based on net debts (which included bank and other borrowings, lease liabilities and promissory note less restricted and pledged bank deposits, and cash and bank balances) of approximately RMB9,077,575,000 (2018: RMB10,055,826,000) divided by equity attributable to owners of the Company of approximately RMB2,384,125,000 (2018: RMB2,237,461,000). The decrease in gearing ratio was attributable to the decrease in net debts and the effect of the profit for the year.

As at 31 December 2019, the Group had sufficient funding to pay off all its outstanding liabilities and meet its working capital requirement.

## BORROWINGS

As at 31 December 2019, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB10,477,170,000 (2018: RMB10,984,101,000).

As at 31 December 2019, the Group had bank and other borrowings of approximately RMB5,567,350,000 (2018: RMB5,178,212,000) and approximately RMB3,898,781,000 (2018: RMB4,837,197,000) 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

On 28 August 2019, Daye Metal (a non-wholly owned subsidiary of the Company), China No. 15 Metallurgical Construction Group Co., Ltd.* (中國十五冶金建設集團有限公司) (a limited liability company established in the PRC and a wholly-owned subsidiary of CNMC), Huangshi Xingang Development Co., Ltd.* (黃石新港開發有限公司) (a limited liability company established in the PRC) and Huangshi State-owned Assets Management Co., Ltd.* (黃石市國有資產經營有限公司) (a limited liability company established in the PRC), entered into a capital contribution agreement to establish Yangxin Hongsheng Copper Industry Company Limited*(陽新弘盛銅業有限公司)(the "Joint venture company"), pursuant to which Daye Metal has agreed to contribute RMB1.3 billion to the capital of the Joint venture company, representing 52% of the equity interests in the Joint venture company. The scope of business of the Joint venture company shall consist of, among other things, smelting and processing of non-ferrous metals, processing of gold and silver products and trading of non-ferrous metals. The management of the Joint venture company would be governed in accordance with the relevant terms of the capital contribution agreements in respect of the composition of the board of directors and supervisory committee of the Joint venture company and the articles of association of the Joint venture company.

The Joint venture company has agreed to purchase, the land use rights of a piece of land parcel located to the north of Haizhou Avenue and the west of Hejin Provincial Road at Yangxi County, Huangshi, Hubei Province, the PRC (parcel no. G(2019)X022), with a total site area of approximately 281,356 square metres for the Consideration of RMB62,440,000.

Please refer to the announcement of the Company dated 30 August 2019 and 8 January 2020 and the circular of the Company dated 25 October 2019 for details.

Save as disclosed above, the Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

## CHARGES ON ASSETS

As at 31 December 2019, other deposits which amounted to approximately RMB111,228,000 (2018: RMB69,095,000) 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 RMB44,776,000 (2018: RMB66,659,000).

## CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no contingent liabilities.

# Report of the Directors

The directors of the Company have the pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

## 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 8 and pages 19 to 20 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 8.

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:

| | 2019 | 2018 |
|---|---|---|
| Gross Profit Margin | 3.10% | 3.07% |
| Debt to Assets Ratio | 82.92% | 85.76% |
| Current Ratio | 1.01 | 1.03 |
| Assets Turnover Ratio | 1.94 | 1.87 |

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 studied seriously to fully implement the ideology of ecological civilization by General Secretary Xi Jinping by focusing on the target tasks, strengthening 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 with the Company's environmental policy of "compliant with laws and regulations, green development, energy conservation and emission reduction, and clean production".

(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 82%. Recycling rate of industrial waste water from smelting and production process reached 98.31%. Each environmental criterion has met the objective requirements throughout the year.

(2) Pollution control standard has reached a new level by increased environmental investments

In 2019, the Company invested approximately RMB240 million for basic environmental protection management such as environmental protection project construction, environmental protection facility operation, and environmental protection safeguard monitoring. Focus has been put to the reconstruction of the deep desulfurization of sulfuric acid exhaust project and the electronic defogging of environmental smoke and gas collection system project. The indicators of the exhaust of sulfur dioxide and particles have been significantly improved.

## 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 2019.

### *Environmental protection*

The Group has launched operating activities, standardized daily control over environmental management of construction projects, hazardous wastes and radioactive material and monitored pollutant discharges 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 Soil Pollution《中華人民共和國土壤污染防治法》. There was no material non-compliance with environmental laws and regulations in 2019.

### *Safety Production*

The Group has taken its corporate responsibilities in respect of production safety and has established Occupational Health and Safety Management System ISO45001 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 2019.

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 upgrading 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. Consideration priority for the cooperation with major customers is given to delivery needs, customized delivery methods and strengths of communications of both sides, etc. so as to promote deeper cooperation between both sides.

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 time, grading, pricing method and arbitration due to the parties both being insistent on matters related to their principles. We have established a management mechanism system for suppliers to verify and reduce procurement cost and cooperation risks.

## 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 2019:

| Age | | | | |
|---|---|---|---|---|
| Below 18 | 18 to 29 | 30 to 39 | 40 to 49 | 50 or above |
| – | 488 | 2,167 | 2,745 | 552 |

| Gender | |
|---|---|
| Male | Female |
| 4,951 | 1,001 |

| 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 2019:

| % of employees trained | | Average training hours per employee |
|---|---|---|
| Male | Female | Number of hours |
| 92.6 | 84.5 | 31.2 |

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 2019:

| Voluntary turnover rate (%) | | | | |
|---|---|---|---|---|
| Below 18 | 18 to 29 | 30 to 39 | 40 to 49 | 50 or above |
| – | 0.28 | 0.67 | 0.38 | 0.12 |

| Voluntary turnover rate (%) | | |
|---|---|---|
| Male | Female | Overall |
| 1.2 | 0.25 | 1.45 |

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 2019 is presented below.

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

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **32,805,685** | 30,749,010 | 33,529,012 | 38,915,713 | 39,361,792 |
| Profit/(loss) for the year attributable to: | | | | | |
| Owners of the Company | **146,664** | (100,959) | (97,247) | (163,484) | (976,337) |
| Non-controlling interests | **26,884** | 14,357 | 6,056 | (1,268) | (213,888) |
| Profit/(loss) for the year | **173,548** | (86,602) | (91,191) | (164,752) | (1,190,225) |

### Summary of selected items of consolidated statement of financial position

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | | | |
| Current assets | **8,324,527** | 8,364,655 | 6,805,400 | 6,810,935 | 7,577,245 |
| Non-current assets | **8,474,837** | 8,607,229 | 9,067,141 | 9,285,156 | 8,995,000 |
| Total assets | **16,799,364** | 16,971,884 | 15,872,541 | 16,096,091 | 16,572,245 |
| **Liabilities** | | | | | |
| Current liabilities | **8,247,770** | 8,083,411 | 6,666,410 | 6,644,835 | 7,467,210 |
| Non-current liabilities | **5,682,032** | 6,472,459 | 6,678,223 | 6,832,157 | 6,321,184 |
| Total liabilities | **13,929,802** | 14,555,870 | 13,344,633 | 13,476,992 | 13,788,394 |
| | **2,869,562** | 2,416,014 | 2,527,908 | 2,619,099 | 2,783,851 |
| Equity attributable to owners of the Company | **2,384,125** | 2,237,461 | 2,363,712 | 2,460,959 | 2,624,443 |
| Non-controlling interests | **485,437** | 178,553 | 164,196 | 158,140 | 159,408 |
| | **2,869,562** | 2,416,014 | 2,527,908 | 2,619,099 | 2,783,851 |

# 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 1 to the consolidated financial statements.

The Group's revenue and segment information for the year ended 31 December 2019 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 77 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil). No interim dividend was declared during the year (2018: Nil).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 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 2019 is set out in note 39 to the consolidated financial statements.

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2019.

## 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 2019 are set out in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company had retained profits of RMB1,693,723,000 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 2019 and up to the date of this report were:

### Executive Directors

Mr. Wang Yan *(Chairman) (appointed on 23 April 2019)*
Mr. Long Zhong Sheng *(Chief Executive Officer)*
Mr. Yu Liming
Mr. Chen Zhimiao *(appointed on 21 June 2019)*
Mr. Tan Yaoyu *(resigned on 17 May 2019)*
Mr. Zhai Baojin *(resigned on 23 April 2019)*

### Independent Non-executive Directors

Wang Guoqi
Wang Qihong
Liu Jishun

Mr. Zhai Baojin has resigned as an executive Director with effect from 23 April 2019 due to his other business commitments. Mr. Wang Yan has been appointed as an executive Director with effect from 23 April 2019.

Mr. Tan Yaoyu has resigned as an executive Director, the chairman of the Board and the chairman of the nomination committee of the Company with effect from 17 May 2019 due to his other business commitments. Mr. Wang Yan, an executive Director, has been appointed as the chairman of the Board and the chairman of the nomination committee of the Company with effect from 17 May 2019.

Mr. Chen Zhimiao has been appointed as an executive Director with effect from 21 June 2019.

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, Chen Zhimiao 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 Wang Yan, Yu Liming and Liu Jishun 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 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 2019, 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 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to 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 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 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executive of the Company, their respective spouse or children under the age of 18 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 2019, 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 the Parent Company.

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. The percentage of shareholding is calculated based on 17,895,579,706 issued shares of the Company as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, 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 TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance subsisting which the Group or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly during or at the end of the year ended 31 December 2019.

## 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 2019.

## 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 2019.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, 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 | 11.66% |
| – Five largest customers | 38.61% |

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

| | |
|---|---|
| – The largest supplier | 24.17% |
| – Five largest suppliers | 57.55% |

At no time during the year ended 31 December 2019 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 2019, 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 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. |
| 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 Nonferrous Metals Corporation Financial Limited* (大冶有色金屬集團財務有限責任公司) ("Parent Financial Company") | Parent Financial Company is a non-wholly-owned subsidiary of the Parent Company and a connected person of the Company |
| Nonferrous Mining Group Finance Company Limited* (有色礦業集團財務有限公司) ("CNMC Financial Company") | CNMC Financial Company is a non-wholly-owned subsidiary of CNMC and a connected person of the Company |
| Daye Non-ferrous Transportation and Tyre Company Limited* （大冶有色運輸輪胎有限公司） ("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* (湖北雞籠山黃金礦業有限公司) ("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* (黃石市宏博有色金屬貿易有限公司) ("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* (江蘇威翔科技有限公司) ("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. |
| Lualaba Copper Smelter SAS (盧阿拉巴銅冶煉股份有限公司*) ("Lualaba Copper") | Lualaba Copper is a non-wholly-owned subsidiary of CNMC and a connected person of the Company. |
| Huangshi Xingang Nonferrous Chemical Terminal Co., Ltd.* (黃石新港有色化工碼頭有限公司) ("Huangshi Xingang") | Huangshi Xingang is indirectly owned by the Parent Company as to more than 30% and is therefore associate of the Parent Company and a connected person of the Company. |
| Zhongse Aobote Copper Aluminum Co., Ltd.* (中色奧博特銅鋁業有限公司) ("Zhongse Aobote") | Zhongse Aobote is indirectly owned by CNMC as to more than 30% and is therefore an associate of CNMC and a connected person of the Company. |
| Hubei Edong Bangfuduo International Trade Co., Ltd.* (湖北鄂東邦福多國貿有限公司) ("Bangfuduo International Trade") | Bangfuduo International Trade is indirectly owned by Huangshi State-owned Assets Management Co., Ltd.* (黃石市國有資產經營有限公司) which directly and indirectly owned 24% of the Joint venture company, a non-wholly owned subsidiary of the Company, as to 51%. Therefore, Bangfuduo International Trade is a connected person of the Company at the subsidiary level. |

## A. Financial Services Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br>(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.<br><br>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:<br><br>The annual cap for the year of 2017 is RMB619,859,000.<br><br>The annual cap for the year of 2018 is RMB651,026,000.<br><br>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.

The aggregate transaction amount incurred in accordance with the Financial Services Framework Agreement for the year ended 31 December 2019 was RMB682,564,000 for the deposit services and RMB Nil for the bills acceptance and settlement services.

## B. Sales Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br>(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.<br><br>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.<br><br>The annual cap for the year of 2018 is RMB14,848,027,000.<br><br>The annual cap for the year of 2019 is RMB16,694,468,000. |

The aggregate transaction amount incurred in accordance with the Sales Framework Agreement for the year ended 31 December 2019 was RMB5,063,962,000.

## C. Parent Group Purchase and Production Services Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Parent Group will:<br>(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<br>(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.<br>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.<br>The annual cap for the year of 2018 is RMB7,812,730,000.<br>The annual cap for the year of 2019 is RMB10,436,997,000. |

The aggregate transaction amount incurred in accordance with the Parent Group Purchase and Production Services Framework Agreement for the year ended 31 December 2019 was RMB1,072,349,000.

### D. CNMC Group Purchase and Production Services Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br>(2) CNMC |
| Nature of transactions: | The CNMC Group will:<br>(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<br>(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.<br>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.<br>The annual cap for the year of 2018 is RMB2,298,958,000.<br>The annual cap for the year of 2019 is RMB2,868,592,000. |

The aggregate transaction amount incurred in accordance with the CNMC Group Purchase and Production Services Framework Agreement for the year ended 31 December 2019 was RMB1,018,329,000.

### E. Hongbo Purchase Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br>(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.<br><br>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.<br>The annual cap for the year of 2018 is RMB372,979,000.<br>The annual cap for the year of 2019 is RMB404,896,000. |

The aggregate transaction amount incurred in accordance with the Hongbo Purchase Framework Agreement for the year ended 31 December 2019 was RMB Nil.

### F. Weixiang Purchase Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br>(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. |

The aggregate transaction amount incurred in accordance with the Weixiang Purchase Framework Agreement for the year ended 31 December 2019 was RMB Nil.

## 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. |

The aggregate transaction amount incurred in accordance with the Hubei Gold Purchase Framework Agreement for the year ended 31 December 2019 was RMB43,996,000.

## H. Combined Ancillary Services Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br>(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.<br><br>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.<br><br>The annual cap for the year of 2018 is RMB488,604,000.<br><br>The annual cap for the year of 2019 is RMB490,758,000. |

The aggregate transaction amount incurred in accordance with the Combined Ancillary Services Framework Agreement for the year ended 31 December 2019 was RMB325,605,000.

## I. Services Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br>(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.<br><br>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.<br><br>The annual cap for the year of 2018 is RMB10,690,000.<br><br>The annual cap for the year of 2019 is RMB10,540,000. |

The aggregate transaction amount incurred in accordance with the Services Framework Agreement for the year ended 31 December 2019 was RMB1,066,000.

## J. Daye Transportation Purchase Framework Agreement

| | |
|---|---|
| Date: | 3 November 2016 |
| Parties: | (1) the Company<br><br>(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.<br><br>The annual cap for the year of 2018 is RMB4,830,000.<br><br>The annual cap for the year of 2019 is RMB4,847,000. |

The aggregate transaction amount incurred in accordance with the Daye Transportation Purchase Framework Agreement for the year ended 31 December 2019 was RMB1,274,000.

### 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. |

The aggregate transaction amount incurred in accordance with the Land Lease Framework Agreement for the year ended 31 December 2019 was RMB12,644,000.

### 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:<br><br>The annual cap for the year of 2017 is RMB18,502,000.<br>The annual cap for the year of 2018 is RMB18,502,000.<br>The annual cap for the year of 2019 is RMB18,502,000.<br><br>For the Parent Group's lease of assets to the Group:<br><br>The annual cap for the year of 2017 is RMB23,704,000.<br>The annual cap for the year of 2018 is RMB24,142,000.<br>The annual cap for the year of 2019 is RMB24,178,000. |

The aggregate transaction amount incurred in accordance with the Asset Lease Framework Agreement for the year ended 31 December 2019 was, for the Group's lease of assets to the Parent Group, RMB3,852,000 and, for the Parent Group's lease of assets to the Group, RMB Nil.

## M. Technical Services Agreement

| | |
|---|---|
| Date: | 18 December 2019 |
| Parties: | (1) Daye Metal<br><br>(2) Lualaba Copper |
| Scope of services: | Daye Metal will provide technical services regarding the operation of sideblown furnaces to Lualaba Copper, including: (i) to recommend qualified and healthy technical service staff in accordance with the technical service staff plan of Lualaba Copper; and (ii) to assist technical service staff with matters including political review for going abroad, passport application and vaccination. |
| Term: | 18 December 2019 to 18 November 2020. |
| Service fees: | Monthly service fees of RMB481,818, subject to downward adjustment of up to 15% of the monthly fee based on (i) the number of technical service staff sent by Daye Metal to Lualaba Copper; and (ii) the performance of the relevant technical service staff pursuant to the terms and conditions of the Technical Services Agreement. |
| Annual Caps: | The annual cap for the year of 2019 is RMB482,000.<br><br>The annual cap for the year of 2020 is RMB4,819,000. |

The aggregate transaction amount incurred in accordance with the Technical Services Agreement for the year ended 31 December 2019 was RMB Nil.

### N. Bangfuduo Purchase Framework Agreement

| | |
|---|---|
| Date: | 18 October 2018 |
| Parties: | (1) Bangfuduo International Trade (as seller) |
| | (2) Daye Metal (as purchaser) |
| Nature of transactions: | Daye Metal will purchase copper concentrate from Bangfuduo International Trade, subject to the terms of the Bangfuduo Purchase Framework Agreement. |
| Term: | 18 October 2018 to 31 December 2019 |
| Pricing Mechanism: | Purchase prices of copper concentrate are determined on the following basis: |
| | (a) copper concentrate containing copper: with reference to the market price of copper as quoted on the Shanghai Futures Exchange; |
| | (b) copper concentrate containing gold (Au): with reference to the market price of gold as quoted on the Shanghai Gold Exchange; and |
| | (c) copper concentrate containing silver (Ag): with reference to the market price of silver as quoted on the Shanghai Huatong Silver Exchange. |
| Annual Caps: | The annual cap for the year of 2019 is RMB165,700,000. |

The aggregate transaction amount incurred in accordance with the Bangfuduo Purchase Framework Agreement for the year ended 31 December 2019 was RMB40,434,000.

Save as disclosed above, there are no other related party transactions or continuing related party transactions as set out in Note 46 to the Consolidated Financial Statements as set out in this report which constitutes connected transactions or continuing connected transactions that need to be disclosed under the Listing Rules. The connected transactions of the Company are in compliance with the disclosure requirements under 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 pricing policies and 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.

## NEW CONTINUING CONNECTED TRANSACTIONS

The following are the new continuing connected transactions, including continuing connected transactions resolutions duly passed as ordinary resolutions of the Company at the special general meeting held on 15 January 2020:

### 1. CNMC Financial Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company |
| | (2) CNMC |
| Nature of transactions: | The Group shall place deposits with the CNMC Group. |
| | The CNMC Group shall provide to the Group the following financial services: loans, guarantees and integrated credit facilities, bills acceptance and settlement, foreign exchange settlement and sales and such other financial services as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| Price of services: | With reference to the fees charged by commercial banks for similar services, subject to compliance with applicable laws and regulations and provisions of PBOC on interest rate management. |
| Deposit and loan amounts: | The average daily amount of deposits placed by the Group with the CNMC Group must not exceed the average daily amount of outstanding loans extended by the CNMC Group to the Group. |
| Undertaking by the CNMC Group: | The CNMC Group undertakes to the Group that if the CNMC Financial Company experiences or foresees any difficulties in payment, the CNMC Group will inject capital into the CNMC Financial Company based on the latter's needs in order to ensure the latter's normal operations. |
| Annual Caps: | (a) Deposit services |
| | The annual cap for the year of 2020 is RMB2,681,869,000. |
| | The annual cap for the year of 2021 is RMB2,885,041,000. |
| | The annual cap for the year of 2022 is RMB3,110,325,000. |
| | (b) Financial services provided by CNMC Group |
| | The annual cap for the year of 2020 is RMB6,120,300,000. |
| | The annual cap for the year of 2021 is RMB11,090,900,000. |
| | The annual cap for the year of 2022 is RMB16,502,900,000. |

### 2. Parent Group Sales Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Group will supply certain products to the Parent Group, including silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, sulfuric acid, waste materials, scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part materials and such other products as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| 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. Please refer to the circular of the Company dated 27 December 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB7,207,373,000.<br>The annual cap for the year of 2021 is RMB10,802,160,000.<br>The annual cap for the year of 2022 is RMB14,383,651,000. |

### 3. Huangshi Xingang Sales Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(2) Huangshi Xingang |
| Nature of transactions: | The Group will supply certain products to Huangshi Xingang, including sulfuric acid and such other products as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| 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. Please refer to the circular of the Company dated 27 December 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB15,000,000.<br>The annual cap for the year of 2021 is RMB40,000,000.<br>The annual cap for the year of 2022 is RMB75,000,000. |

### 4. Zhongse Aobote Sales Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company |
| | (2) Zhongse Aobote |
| Nature of transactions: | The Group will supply certain products to Zhongse Aobote, including copper cathodes and such other products as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| 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. Please refer to the circular of the Company dated 27 December 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB2,832,000,000. |
| | The annual cap for the year of 2021 is RMB2,976,000,000. |
| | The annual cap for the year of 2022 is RMB2,976,000,000. |

### 5. Parent Group Purchase and Production Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Parent Group will:<br>(i) supply certain products to the Group, including scrap copper, copper concentrate, diesel fuel, parts and equipment, waste circuit boards and such other products as agreed by the parties from time to time; and<br>(ii) provide certain production services to the Group, including construction maintenance, engineering labour, transportation, train loading and unloading and such other production services as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| 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. Please refer to the circular of the Company dated 27 December 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB2,176,535,000.<br>The annual cap for the year of 2021 is RMB2,567,932,000.<br>The annual cap for the year of 2022 is RMB3,121,564,000. |

### 6. Hubei Gold Purchase Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(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 2020 to 31 December 2022. |
| 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. Please refer to the circular of the Company dated 27 December 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB69,029,000.<br>The annual cap for the year of 2021 is RMB77,755,000.<br>The annual cap for the year of 2022 is RMB91,893,000. |

### 7. CNMC Group Purchase and Production Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(2) CNMC |
| Nature of transactions: | The CNMC Group will:<br>(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<br>(2) provide certain production services to the Group, including supervision, construction, design, purchase, maintenance and such other production services as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| 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. Please refer to the circular of the Company dated 27 December 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB4,629,255,000.<br>The annual cap for the year of 2021 is RMB3,780,591,000.<br>The annual cap for the year of 2022 is RMB4,140,206,000. |

## 8. Combined Ancillary Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Parent Group will provide certain services to the Group, including steel cylinder inspection and repair, gas delivery management, waste disposal, green conservation, vehicle rental, property management, food and beverage and accommodation, logistics service, mineral water, seedling, telecommunication and repair, water, electricity, telephone charges, property repair, training and such other services as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| 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. Please refer to the circular of the Company dated 27 December 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB379,020,000.<br>The annual cap for the year of 2021 is RMB385,323,000.<br>The annual cap for the year of 2022 is RMB391,613,000. |

## 9. Land Lease Framework Agreement

| | |
|---|---|
| Date: | 23 December 2011 |
| Parties: | (1) the Company<br>(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 2020 is RMB145,171,000.<br>The annual cap for the year of 2021 is RMB1,100,000.<br>The annual cap for the year of 2022 is RMB1,100,000. |

### 10. Parent Group Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(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, technical research project, technical services, vehicle rental and such other services as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| 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. Please refer to the announcement of the Company dated 22 November 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB32,414,000.<br>The annual cap for the year of 2021 is RMB32,790,000.<br>The annual cap for the year of 2022 is RMB17,004,000. |

### 11. Huangshi Xingang Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(2) Huangshi Xingang |
| Nature of transactions: | Huangshi Xingang will supply certain services to the Group, including port loading and unloading of sulfuric acid, transportation service and such other services as agreed by the parties from time to time. |
| Term: | 1 January 2020 to 31 December 2022. |
| 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. Please refer to the announcement of the Company dated 22 November 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB10,500,000.<br>The annual cap for the year of 2021 is RMB21,000,000.<br>The annual cap for the year of 2022 is RMB30,000,000. |

### 12. Bangfuduo Purchase Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(2) Bangfuduo International Trade |
| Nature of transactions: | Bangfuduo International Trade 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 2020 to 31 December 2022. |
| 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. Please refer to the announcement of the Company dated 22 November 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB1,099,058,000.<br>The annual cap for the year of 2021 is RMB1,137,039,000.<br>The annual cap for the year of 2022 is RMB1,137,039,000. |

### 13. Asset Lease Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Group will lease certain assets (including properties, vehicles, equipment and sulfuric acid tank trucks) 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, sulfuric acid (by tanks), tank trucks, oil tank tubes and university student apartments) 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 2020 to 31 December 2022. |
| Pricing Mechanism: | The pricing will be based on the depreciation and related tax amount. Please refer to the announcement of the Company dated 22 November 2019 for details. |
| Annual Caps: | The annual cap for the year of 2020 is RMB3,513,000.<br>The annual cap for the year of 2021 is RMB3,513,000.<br>The annual cap for the year of 2022 is RMB3,513,000. |

## INTERNAL CONTROL

The Company has established the connected transactions management committee, which is the discussion and decision-making body for the connected transactions management, and is led by the Board which directly and comprehensively manages the relevant matters of the connected transactions.

The Company has implemented stringent measures to monitor the pricing standards for the continuing connected transactions of the Group. The department heads of the relevant business departments are responsible for the initial price determination of the proposed connected transactions of the Group. Such initial price determination will be reported to and approved by the finance department of the Company. Then, these prices will be reported to the legal department of the Company, which is responsible for collating from the various business departments such information regarding the proposed connected transactions of the Group, and ensuring that the terms of any such proposed connected transactions are in compliance with applicable laws, rules and regulations. After all these review processes, the legal representative or authorised representative of the Company will execute such connected transactions on behalf of the Company. The capital operation department, finance department and legal department of the Company are responsible for monitoring each of the connected transactions of the Group to ensure that they are conducted in accordance with its terms, including the relevant pricing mechanism and the periodic reporting of the relevant transaction amounts.

The capital operation department and the finance department of the Company will monitor the continuing connected transactions and summarise the transaction amounts incurred under each of the connected transaction framework agreements regularly on a monthly basis, and reports will be submitted to the Board for its quarterly review. In the event the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the capital operation department of the Company would initiate the procedures for a board meeting and/or shareholders' meeting (as and when required) to increase the annual cap as soon as practicable.

## 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 2019, the Group had 5,952 employees (2018: 6,723). The Group's total staff costs for the year was approximately RMB700,774,000 (2018: RMB714,250,000). 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 2019 and as of the date of this report.

## EVENTS AFTER THE REPORTING PERIOD

Mr. Li Ka Fai has resigned as the company secretary, authorised representative of the Company for the purpose of accepting service of process and notices on behalf of the Company in Hong Kong under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 3 January 2020. Mr. Wong Yat Tung has been appointed as the company secretary and authorized representative of the Company in place of Mr. Li. Please refer to the announcement of the Company dated 3 January 2020 for details.

On 8 January 2020, the Joint venture company and State Land and Resources Branch Bureau of Xingang (Logistics) Industrial Park, Yangxin County State Land Bureau*(陽新縣國土資源局新港（物流）工業園區國土分局)("Xingang Land and Resources Bureau") entered into the Transfer Contract, pursuant to which Xingang Land and Resources Bureau has agreed to sell, and the Joint venture company has agreed to purchase, the land use rights of a piece of land parcel located to the north of Haizhou Avenue and the west of Hejin Provincial Road at Yangxi County, Huangshi, Hubei Province, the PRC (parcel no. G(2019)X022), with a total site area of approximately 281,356 square metres for a consideration of RMB62,440,000. Please refer to the announcement of the Company dated 30 August 2019 and 8 January 2020 and the circular of the Company dated 25 October 2019 for details.

Save as disclosed above, 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 2019. 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
**Wang Yan**
*Chairman*
15 May 2020

# 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 2019 under different aspects.

## CG CODE COMPLIANCE

For the year ended 31 December 2019, 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 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 2019.

## 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 Directors*** | | |
| Wang Yan *(Chairman)* | 23 April 2019 | 3 June 2019 |
| Long Zhong Sheng *(Chief Executive Officer)* | 22 March 2012 | 3 June 2019 |
| Yu Liming | 19 June 2018 | 3 June 2019 |
| Chen Zhimiao | 21 June 2019 | N/A |
| ***Independent Non-Executive Directors*** | | |
| Wang Qihong | 13 January 2006 | 3 June 2019 |
| Wang Guoqi | 13 January 2006 | 3 June 2019 |
| 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 by 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. No Directors have any relations among one another (including financial, business, family or other material or related relations).

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 management; 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 2019, 4 Board meetings and 2 general meetings of the Company were held. The meetings are structured to allow open discussion. At the Board meetings, the Directors participated in discussing the strategies, operational and financial performance, corporate governance policy and internal control of the Group.

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

| Name of Director | No. of meetings attended/ Eligible to attend Board meeting | General meeting |
|---|---|---|
| ***Executive Directors*** | | |
| Wang Yan *(appointed on 23 April 2019)* | 3/3 | 2/2 |
| Long Zhong Sheng | 4/4 | 2/2 |
| Yu Liming | 4/4 | 2/2 |
| Chen Zhimiao *(appointed on 21 June 2019)* | 2/2 | 1/1 |
| Tan Yaoyu *(resigned on 17 May 2019)* | 1/1 | 0/0 |
| Zhai Baojin *(resigned on 23 April 2019)* | 1/1 | 0/0 |
| ***Independent Non-executive Directors*** | | |
| Wang Qihong | 4/4 | 2/2 |
| Wang Guoqi | 3/4 | 1/2 |
| Liu Jishun | 3/4 | 1/2 |

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 regular 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 present at the Board meetings with no conflict of interest in such matters would 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 2019, 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 2019 is as follows:

| | Mode of Continuous Professional Development Training |
|---|---|
| Name of Director | Reading materials and/ or attending seminars |
| ***Executive Directors*** | |
| Wang Yan | ✓ |
| Long Zhong Sheng | ✓ |
| Yu Liming | ✓ |
| Chen Zhimiao | ✓ |
| ***Independent Non-Executive Directors*** | |
| Wang Guoqi | ✓ |
| Wang Qihong | ✓ |
| Liu Jishun | ✓ |

## Permitted Indemnity Provisions

During the financial year ended 31 December 2019 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. Wang Yan, and those of the Chief Executive Officer, Mr. Long Zhong Sheng, are segregated in order to reinforce their independence and accountability.

Mr. Wang Yan 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 independent 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 independent 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 2019, 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. Wong Yat Tung, 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 knowledge of the Company's day-to-day 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 2019, 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 Directors*** | | | |
| Wang Yan *(Chairman) (appointed on 23 April 2019)* | – | – | Chairman |
| Long Zhong Sheng | – | – | – |
| Yu Liming | – | – | – |
| Chen Zhimiao *(appointed on 21 June 2019)* | – | – | – |
| ***Independent Non-Executive Directors*** | | | |
| 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<br>– Company performance |

The remuneration committee has reviewed the breakdown of the Directors' remuneration for the year ended 31 December 2019 set out in note 13 to the consolidated financial statements.

## REMUNERATION OF SENIOR MANAGEMENT

The remuneration (including salary only) payable to the senior management of the Company (who are not the Directors) is shown in the following table by band:

| | Number of Senior Management Year ended December 31, | |
|---|---|---|
| (RMB) | **2019** | 2018 |
| 1-500,000 | **0** | 0 |
| 500,001-1,000,000 | **1** | 1 |
| 1,000,001-1,500,000 | **0** | 0 |

During the year ended 31 December 2019, 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 Directors | 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 and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy with due regards to the board diversity policy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors, making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer, and reviewing the board diversity policy; and reviewing the measurable objectives that the Board has set for implementing the Board diversity policy, and the progress on achieving the objectives; and making disclosure of its review results in the Corporate Governance Report annually.

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 2019, 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 Directors | Position | Role in Nomination Committee | Meetings Attended/ Eligible to Attend |
|---|---|---|---|
| Wang Yan *(appointed on 17 May 2019)* | Executive Director | Chairman | 0/0 |
| Tan Yaoyu *(resigned on 17 May 2019)* | Executive Director | Ex-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 Directors | Position | Role in Audit Committee | Meetings Attended/ Eligible to Attend |
|---|---|---|---|
| Wang Guoqi | Independent non-executive Director | Chairman | 3/3 |
| Wang Qihong | Independent non-executive Director | Member | 3/3 |
| Liu Jishun | Independent non-executive Director | Member | 3/3 |

During the year ended 31 December 2019, the Audit Committee held three meetings and reviewed with the management the Group's 2018 annual results, 2019 interim results and related announcements 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 2019. 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 2019, 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:

| | 2019<br>RMB' 000 |
|---|---|
| Audit Services | 3,079 |
| Non-audit Services | 1,583 |
| Total | 4,662 |

The above non-audit services mainly included the review of the Group's interim report for the six months ended 30 June 2019.

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 2019, 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 2019, 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.

## 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. Wong Yat Tung
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.

**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 77 to 171, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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, right-of-use assets and mining rights attributable to a copper mine*** | |
| We identified the impairment assessment of property, plant and equipment, right-of-use assets 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 forecast of copper price, and discount rate adopted as part of the impairment review as disclosed in Note 4 to the consolidated financial statements.<br><br>The Group conducted an impairment review of these assets by assessing the recoverable amount of the relevant cash-generating unit ("CGU") to which these assets belong based on a value-in-use calculation.<br><br>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 amounts of these assets as at 31 December 2019 are RMB974,762,000. 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, right-of-use assets and mining rights attributable to the copper mine included:<br><br>• Understanding the internal controls relevant to the impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to such copper mine;<br><br>• Comparing copper price used in the value-in-use calculation to industry forecasts of copper price and challenging management's basis on the estimation;<br><br>• Evaluating the valuation methodology used in determining the recoverable amount of the relevant CGU with the assistance of our internal valuation specialists; and<br><br>• Reviewing the discount rate used in determining the recoverable amount of the relevant CGU by developing a range of estimate on discount rate by our internal valuation specialists and comparing such with the discount rate adopted by the management. |

## 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
15 May 2020

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| Revenue | 5, 6 | **32,805,685** | 30,749,010 |
| Cost of sales and services rendered | 12 | **(31,788,017)** | (29,806,274) |
| Gross profit | | **1,017,668** | 942,736 |
| Other income | 7 | **160,719** | 75,704 |
| Selling expenses | | **(58,374)** | (64,394) |
| Administrative expenses | | **(350,706)** | (325,692) |
| Other operating expenses | | **(8,295)** | (111,488) |
| Impairment losses under expected credit loss model, net | 8 | **(93,949)** | (1,651) |
| Other gains and losses | 9 | **13,802** | (121,132) |
| Finance costs | 10 | **(454,620)** | (424,571) |
| Share of results of joint ventures | | **–** | (15,962) |
| Profit/(loss) before tax | | **226,245** | (46,450) |
| Income tax expenses | 11 | **(52,697)** | (40,152) |
| Profit/(loss) and total comprehensive income/(expense) for the year | 12 | **173,548** | (86,602) |
| Profit/(loss) and total comprehensive income/(expense) for the year attributable to: | | | |
| Owners of the Company | | **146,664** | (100,959) |
| Non-controlling interests | | **26,884** | 14,357 |
| | | **173,548** | (86,602) |
| **Earnings/(loss) per share** | 15 | | |
| – Basic | | **RMB0.82fen** | RMB(0.56)fen |
| – Diluted | | **RMB0.82fen** | RMB(0.56)fen |

# Consolidated Statement of Financial Position

At 31 December 2019

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | **6,789,956** | 7,045,432 |
| Right-of-use assets | 17 | **824,883** | – |
| Exploration and evaluation assets | 18 | **8,074** | 49,479 |
| Prepaid lease payments | 19 | **–** | 676,764 |
| Intangible assets | 20 | **659,513** | 623,545 |
| Investments in joint ventures | 21 | **–** | – |
| Deferred tax assets | 22 | **71,324** | 121,738 |
| Other deposits | 25 | **76,311** | 46,916 |
| Restricted deposits | 29 | **44,776** | 43,355 |
| | | **8,474,837** | 8,607,229 |
| **CURRENT ASSETS** | | | |
| Prepaid lease payments | 19 | **–** | 21,611 |
| Inventories | 23 | **4,869,157** | 5,079,176 |
| Trade and bills receivables | 24 | **1,009,800** | 745,415 |
| Other deposits | 25 | **111,228** | 69,095 |
| Prepayments and other receivables | 26 | **172,029** | 1,444,472 |
| Derivative financial instruments | 27 | **220,429** | 119,966 |
| Structured bank deposits | 28 | **440,000** | – |
| Restricted and pledged deposits | 29 | **–** | 23,304 |
| Cash, deposits and bank balances | 29 | **1,501,884** | 861,616 |
| | | **8,324,527** | 8,364,655 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 30 | **1,808,990** | 1,903,197 |
| Other payables and accrued expenses | 31 | **758,085** | 815,115 |
| Contract liabilities | 32 | **43,781** | 82,398 |
| Bank and other borrowings | 33 | **5,567,350** | 5,178,212 |
| Lease liabilities | 34 | **4,495** | – |
| Derivative financial instruments | 27 | **24,053** | 58,108 |
| Early retirement obligations | 38 | **38,820** | 44,850 |
| Current income tax liabilities | | **2,196** | 1,531 |
| | | **8,247,770** | 8,083,411 |
| **NET CURRENT ASSETS** | | **76,757** | 281,244 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **8,551,594** | 8,888,473 |

# Consolidated Statement of Financial Position

At 31 December 2019

| | NOTES | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 39 | **727,893** | 727,893 |
| Share premium and reserves | | **1,656,232** | 1,509,568 |
| Equity attributable to owners of the Company | | **2,384,125** | 2,237,461 |
| Non-controlling interests | | **485,437** | 178,553 |
| **TOTAL EQUITY** | | **2,869,562** | 2,416,014 |
| **NON-CURRENT LIABILITIES** | | | |
| Other payables | 31 | **278,333** | 287,855 |
| Bank and other borrowings | 33 | **3,898,781** | 4,837,197 |
| Lease liabilities | 34 | **142,570** | – |
| Promissory note | 36 | **1,011,039** | 968,692 |
| Provision for mine rehabilitation, restoration and dismantling | 35 | **51,332** | 45,407 |
| Deferred income | 37 | **176,087** | 189,768 |
| Early retirement obligations | 38 | **123,890** | 143,540 |
| | | **5,682,032** | 6,472,459 |
| | | **8,551,594** | 8,888,473 |

The consolidated financial statements on pages 77 to 171 were approved and authorised for issue by the Board of Directors on 15 May 2020 and are signed on its behalf by:

**Wang Yan**
*DIRECTOR*

**Long Zhong Sheng**
*DIRECTOR*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

| | 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 2018 | 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 |
| Profit and total comprehensive income for the year | – | – | – | – | – | – | – | **146,664** | **146,664** | **26,884** | **173,548** |
| Appropriation of maintenance and production funds | – | – | – | – | – | **65,744** | – | **(65,744)** | – | – | – |
| Utilisation of maintenance and production funds | – | – | – | – | – | **(67,157)** | – | **67,157** | – | – | – |
| Capital injection from non-controlling shareholders of a subsidiary | – | – | – | – | – | – | – | – | – | **280,000** | **280,000** |
| At 31 December 2019 | **727,893** | **1,554,303** | **124,592** | **4,373,075** | **(4,184,848)** | **114,038** | **5,876** | **(330,804)** | **2,384,125** | **485,437** | **2,869,562** |

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 2019

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit/(loss) before tax | **226,245** | (46,450) |
| Adjustments for: | | |
| Interest income | **(33,696)** | (37,651) |
| Finance costs | **454,620** | 424,571 |
| Share of results of joint ventures | **–** | 15,962 |
| Exchange losses/(gains), net | **40,326** | 72,995 |
| Depreciation and amortisation | **714,226** | 690,241 |
| Additional provision for early retirement obligations | **–** | 96,580 |
| Loss on disposal of property, plant and equipment, net | **391** | 42,414 |
| Impairment losses under expected credit loss model, net: | **93,949** | 1,651 |
| Losses/(gains) on fair value changes in respect of: | | |
| Commodity derivatives contracts | **218** | (10,856) |
| Currency forward contracts | **1,200** | (5,136) |
| Currency option contracts | **(6,029)** | (8,468) |
| Currency exchange swap contracts | **(7,402)** | – |
| Gold forward contracts | **(59,420)** | (110,152) |
| Gold loans designated as financial liabilities at fair value through profit or loss | **58,319** | 155,960 |
| Actuarial losses/(gains) recognised during the year | **17,510** | (1,735) |
| Write-down of inventories | **1,820** | 29,005 |
| Write-off of prepayments | **6,277** | – |
| Deferred income recognised | **(21,235)** | (20,922) |
| Operating cash flows before movements in working capital | **1,487,319** | 1,288,009 |
| Decrease/(increase) in inventories | **208,199** | (294,379) |
| (Increase)/decrease in derivative financial instruments, net | **(63,085)** | 39,265 |
| Increase in trade and bills receivables | **(264,208)** | (227,241) |
| Decrease in prepayments and other receivables | **4,981** | 81,869 |
| Decrease in trade and bills payables | **(94,207)** | (581,681) |
| Increase in other payables and accrued expenses | **31,163** | 38,813 |
| Decrease in contract liabilities | **(38,617)** | (17,998) |
| (Increase)/decrease in other deposits | **(39,962)** | 67,248 |
| Benefits paid for early retirement obligations | **(48,170)** | (55,875) |
| Cash generated from operating activities | **1,183,413** | 338,030 |
| Income taxes paid | **(1,618)** | – |
| NET CASH FROM OPERATING ACTIVITIES | **1,181,795** | 338,030 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest received | **31,556** | 28,147 |
| Payments for property, plant and equipment | **(493,022)** | (516,772) |
| Payments for exploration and evaluation assets | **(49,396)** | (10,291) |
| Payments for intangible assets | **(125)** | (3,013) |
| Payments for right-of-use assets | **(4,484)** | – |
| Proceeds from disposal of property, plant and equipment | **1,208** | 53,929 |
| Receipts of government grants | **7,617** | 6,310 |
| Advance to a joint venture | **(11,680)** | (85,000) |
| Repayments from joint ventures | **38,684** | 2,044 |
| Decrease/(increase) in short-term advances to Daye Nonferrous Metals Group Holding Co., Ltd ("Daye Group", an intermediate holding Company of the Company) | **1,140,774** | (1,143,670) |
| Placement of structured bank deposits | **(440,000)** | – |
| Placement of restricted and pledged deposits | **(445,212)** | (628,731) |
| Release of restricted and pledged deposits | **468,516** | 645,412 |
| NET CASH FROM/(USED IN) INVESTING ACTIVITIES | **244,436** | (1,651,635) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from new bank borrowings | **10,239,517** | 9,742,673 |
| Repayments of bank borrowings | **(9,628,506)** | (8,221,745) |
| Repayments of other loans | **(1,000)** | (1,000) |
| Advance from Daye Group | **245** | 2,520 |
| Repayments to Daye Group | **(12,381)** | (781,313) |
| Advance from Nonferrous Mining Group Finance Co., Ltd ("Finance Company", a fellow subsidiary of the Company) | **150,000** | 357,200 |
| Repayments to Finance Company | **(267,200)** | (340,000) |
| Proceeds from gold loans | **1,764,028** | 4,036,933 |
| Repayments of gold loans | **(2,716,471)** | (3,249,534) |
| Advance from a fellow subsidiary | **458,385** | 472,794 |
| Repayments to a fellow subsidiary | **(644,969)** | (412,260) |
| Advance from a joint venture | **80** | 727 |
| Capital injection from non-controlling shareholders of a subsidiary | **280,000** | – |
| Finance costs paid | **(406,364)** | (388,612) |
| NET CASH (USED IN)/FROM FINANCING ACTIVITIES | **(784,636)** | 1,218,383 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | **641,595** | (95,222) |
| Cash and cash equivalents at the beginning of the year | **861,616** | 957,112 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | **(1,327)** | (274) |
| Cash and cash equivalents at the end of the year | **1,501,884** | 861,616 |
| REPRESENTED BY: | | |
| Cash, deposits and bank balances | **1,501,884** | 861,616 |

## 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 Suite No. 10B, 16/F, Tower 3, China Hong Kong City, China Ferry Terminal, 33 Canton Road, Kowloon, 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 16 | *Leases* |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments* |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation* |
| Amendments to HKAS 19 | *Plan Amendment, Curtailment or Settlement* |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures* |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2015-2017 Cycle* |

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance 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 16 Leases*

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

*Definition of a lease*

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

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

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

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

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

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

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of lands in the PRC was determined on a portfolio basis; and

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

## 2. 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 16 Leases (Continued)*

*As a lessee (Continued)*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.9%.

| | **At 1 January 2019** RMB'000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 267,870 |
| Less: Impact on value-added tax | (22,115) |
| | 245,755 |
| Lease liabilities discounted at relevant incremental borrowing rates | 151,383 |
| Less: Recognition exemption – short-term leases | (33) |
| Lease liabilities as at 1 January 2019 | 151,350 |
| Analysed as | |
| Current | 4,285 |
| Non-current | 147,065 |
| | 151,350 |

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

| | **Right-of-use assets** RMB'000 |
|---|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | 151,350 |
| Reclassified from prepaid lease payments (Note) | 698,375 |
| | 849,725 |
| By class: | |
| Leasehold lands | 849,725 |

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB21,611,000 and RMB676,764,000 respectively were reclassified to right-of-use assets.

## 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 16 Leases (Continued)*

*As a lessor*

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

*Sales and leaseback transactions*

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year, no sale and leaseback transaction was entered into by the Group.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included. There is no impact on the opening accumulated losses upon the application of HKFRS 16.

| | Carrying amounts previously reported at 31 December 2018 RMB'000 | Adjustments RMB'000 | **Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000** |
|---|---|---|---|
| **Non-current assets** | | | |
| Prepaid lease payments | 676,764 | (676,764) | – |
| Right-of-use assets | – | 849,725 | **849,725** |
| **Current assets** | | | |
| Prepaid lease payments | 21,611 | (21,611) | – |
| **Current liabilities** | | | |
| Lease liabilities | – | (4,285) | **(4,285)** |
| **Non-current liabilities** | | | |
| Lease liabilities | – | (147,065) | **(147,065)** |

## 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 (Mar 2020 financial statements)

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

| | |
|---|---|
| HKFRS 17 | *Insurance Contracts* [1] |
| Amendments to HKFRS 3 | *Definition of a Business* [2] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3] |
| Amendments to HKAS 1 and HKAS 8 | *Definition of Material* [4] |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | *Interest Rate Benchmark Reform* [4] |

1 Effective for annual periods beginning on or after 1 January 2021 (Remark)
2 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
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

Remark: The IASB proposed a two year deferral of the effective date for IFRS 17 and extend the temporary exemption for insurers to apply IFRS 9. The relevant amendments have not been finalised yet. Finalisation of the relevant amendments by the IASB is expected to have similar deferral on HKFRS 17 (the equivalent of IFRS 17).

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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*.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

### Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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 in 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 is not allocated to any asset, including goodwill, that 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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property 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 property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment on property, plant and equipment, right-of-use assets and intangible assets (Continued)

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) 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 or a group of cash-generating units) 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)

### Leases

#### *Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)*

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

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

#### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)*

*Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of staff apartments that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

### *The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)*

*Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

*Lease liabilities*

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee (prior to 1 January 2019)*

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.

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

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.

#### *The Group as a lessor*

*Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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, and such costs are recognised as an expense on a straight-line basis over the lease term.

#### *Sale and leaseback transactions (prior to 1 January 2019)*

*The Group as a seller-lessee*

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.

For sale and leaseback transactions which are in substance a financing arrangement, the Group accounts for the sales proceeds as borrowing within the scope of HKFRS 9.

### 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.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Provisions (Continued)

#### *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. 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.

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*

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Classification and subsequent measurement of financial assets (Continued)*

All other financial assets of the Group are subsequently measured at fair value through profit or loss ("FVTPL").

A financial asset is 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.

(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 and is included in the "other gains and losses" line item.

*Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets at amortised cost which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Impairment of financial assets (Continued)*

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.

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.

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 before the amount become past due.

(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 (Continued)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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.

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.

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 through a loss allowance account.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*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 measured at amortised, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### *Financial liabilities and equity*

*Classification as debt or equity*

Debt and equity instruments 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 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, except for a derivative that is a financial guarantee or a designated and effective as a hedging instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

### *Financial liabilities and equity (Continued)*

*Financial liabilities at FVTPL (Continued)*

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 permits the entire combined contract to be designated as at FVTPL.

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 at FVTPL at initial recognition.

*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.

*Derecognition of financial liabilities*

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.

*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.

Embedded derivatives

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers

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.

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 or 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers (Continued)

#### *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.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

#### *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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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" 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.

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 interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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.

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

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

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 to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employee benefits (Continued)

#### *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, right-of-use assets and mining rights

Property, plant and equipment, right-of-use assets 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 discount rate to determine the level of impairment could materially affect the net present value used in the impairment test.

In prior years, management of the Group conducted impairment testing for the non-current assets attributable to a copper mine held by Xinjiang Hui Xiang Yong Jin Mining Co., Ltd., a subsidiary of the Group. An aggregate impairment of RMB483,362,000 was made for these assets to reduce the carrying amount of the cash-generating unit (the "CGU") to its recoverable amount based on a value-in-use calculation. 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 the CGU as at 31 December 2019, 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 2019, deferred tax assets of RMB71,324,000 (2018: RMB121,738,000) mainly in relation to impairment losses, accrued expenses and write-down of inventories. Further details are contained in Note 22. 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.

### 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

### Disaggregation of revenue from contracts with customers

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Sales of goods | **32,755,962** | 30,694,020 |
| Rendering of services | **49,723** | 54,990 |
| | **32,805,685** | 30,749,010 |
| Timing of revenue recognition: | | |
| A point in time | **32,755,962** | 30,694,020 |
| Over time | **49,723** | 54,990 |
| | **32,805,685** | 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 performance obligations is not disclosed.

## 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:

| | **2019** | 2018 |
|---|---|---|
| | **RMB' 000** | RMB' 000 |
| Sales of goods: | | |
| Copper cathodes | **23,586,954** | 23,633,368 |
| Other copper products | **302,789** | 274,042 |
| Gold and other gold products | **3,370,499** | 2,699,093 |
| Silver and other silver products | **4,849,590** | 3,417,266 |
| Sulphuric acid and sulphuric concentrate | **158,628** | 228,203 |
| Iron ores | **164,077** | 135,685 |
| Others | **323,425** | 306,363 |
| | **32,755,962** | 30,694,020 |
| Rendering of services: | | |
| Copper processing | **37,991** | 44,151 |
| Others | **11,732** | 10,839 |
| | **49,723** | 54,990 |
| Total revenue | **32,805,685** | 30,749,010 |

## 6. SEGMENT INFORMATION (Continued)

### Geographical information

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

| | Non-current assets | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| PRC | **8,358,420** | 8,416,388 |
| Hong Kong | **243** | 25,626 |
| Mongolia | **74** | 122 |
| | **8,358,737** | 8,442,136 |

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

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| PRC | **30,879,754** | 28,914,452 |
| Hong Kong | **871,898** | 399,814 |
| Others | **1,054,033** | 1,434,744 |
| | **32,805,685** | 30,749,010 |

### Information about major customers

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

| | **2019** | 2018 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Customer A – in respect of sales of gold and silver | **3,823,921** | N/A* |

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

## 7. OTHER INCOME

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Interest income from banks | **12,996** | 20,981 |
| Interest income from Daye Group | **13,746** | 2,732 |
| Interest income from Finance Company | **6,954** | 9,084 |
| Interest income from a joint venture | **3,652** | 4,854 |
| Government grants (Note) | **98,945** | 4,241 |
| Deferred income recognised (Note 37) | **21,235** | 20,922 |
| Others | **3,191** | 12,890 |
| | **160,719** | 75,704 |

Note: The government grants in the current year mainly represented subsidies for early retirement benefit of which the relevant expenses had been previously charged to profit or loss.

## 8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| (Reversal of impairment losses)/impairment loss, net, on: | | |
| Trade receivables – goods and services | **(177)** | 383 |
| Loans to and amounts due from a joint venture | **91,592** | – |
| Other receivables | **2,534** | 1,268 |
| | **93,949** | 1,651 |

## 9. OTHER GAINS AND LOSSES

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Loss on disposal of property, plant and equipment, net | **(391)** | (42,414) |
| Fair value changes from: | | |
| Commodity derivatives contracts | **(218)** | 10,856 |
| Currency forward contracts | **(1,200)** | 5,136 |
| Currency exchange swap contracts | **7,402** | – |
| Currency option contracts | **6,029** | 8,468 |
| Gold forward contracts | **59,420** | 110,152 |
| Gold loans designated as financial liabilities at FVTPL | **(58,319)** | (155,960) |
| Exchange losses, net | **(3,120)** | (57,008) |
| Insurance compensation * | **101,912** | – |
| Other losses * | **(91,436)** | (362) |
| Write-off of prepayments | **(6,277)** | – |
| Total other gains and losses | **13,802** | (121,132) |

* Other losses mainly represented land restoration costs and other costs incurred in relation to a partial dam failure at the northwestern corner of tailings pond at Tonglvshan Mine of the Group located in Hubei Province, the PRC. Up to 31 December 2019, an aggregate amount of expenses of RMB127,484,000 was charged to profit or loss, of which land restoration costs payable of RMB67,940,000 as at 31 December 2019 was recorded under "Other payables and accrued expenses" (Note 31). The agreed insurance claim is RMB101,912,000 and the compensation received from the insurance claim up to 31 December 2019 amounted to RMB66,219,000, of which RMB19,219,000 and RMB47,000,000 was received during the years ended 31 December 2019 and 2018, respectively. The remaining insurance compensation receivable amounted to RMB35,693,000 was recorded under "Other receivables" as at 31 December 2019.

## 10. FINANCE COSTS

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Interest on bank and other borrowings | **367,977** | 329,644 |
| Interest on loans from Daye Group | **19,086** | 28,888 |
| Interest on loans from Finance Company | **13,012** | 15,584 |
| Interest on loans from a fellow subsidiary | **4,684** | 8,438 |
| Interest on amounts due to a fellow subsidiary | **12,858** | 11,934 |
| Interest on lease liabilities | **7,416** | – |
| Interest on promissory note (Note 36) | **42,347** | 42,348 |
| Unwind interest of provision for mine rehabilitation, restoration and dismantling (Note 35) | **1,304** | 1,322 |
| Unwind interest of early retirement obligations (Note 38) | **4,980** | 7,980 |
| Total finance costs | **473,664** | 446,138 |
| Less: Borrowing costs capitalised in the cost of qualifying assets (Note 16) | **(19,044)** | (21,567) |
| | **454,620** | 424,571 |

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 3.78% (2018: 3.65%) per annum to expenditure on qualifying assets.

## 11. INCOME TAX EXPENSES

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Current tax: | | |
| PRC Enterprise Income Tax | **2,283** | 1,531 |
| Deferred tax (Note 22) | **50,414** | 38,621 |
| | **52,697** | 40,152 |

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 profit/loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2019** **RMB'000** | 2018 RMB'000 |
|---|---|---|
| Profit/(loss) before tax | **226,245** | (46,450) |
| Tax at the domestic income tax rate of 25% (2018: 25%) (Note) | **56,561** | (11,613) |
| Tax effect on different tax rates of subsidiaries operating in other jurisdictions | **35,199** | 6,488 |
| Tax effect on tax concession of research and development costs | **(3,389)** | (1,228) |
| Tax effect on expenses not deductible for tax purpose | **3,791** | 27,701 |
| Tax effect on deductible temporary differences not recognised | **3,071** | 38,113 |
| Tax effect on share of results of joint ventures | **–** | 3,990 |
| Utilisation of tax losses and deductible temporary differences previously not recognised | **(69,109)** | (22,358) |
| Reversal of deferred tax assets | **26,455** | – |
| Others | **118** | (941) |
| Income tax expense for the year | **52,697** | 40,152 |

Note:

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

## 12. PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR

Profit/(loss) and total comprehensive income/(expense) for the year has been arrived at after charging:

| | 2019<br>RMB' 000 | 2018<br>RMB' 000 |
|---|---|---|
| Depreciation of property, plant and equipment (Note (i)) | **629,942** | 617,808 |
| Amortisation of intangible assets (Note (i)) | **54,958** | 50,823 |
| Amortisation of prepaid lease payments (Note (i)) | **–** | 21,610 |
| Amortisation of right-of-use assets (Note (i)) | **29,326** | – |
| | **714,226** | 690,241 |
| Auditor's remuneration | **3,079** | 3,079 |
| Employee benefits expense (including directors' remuneration as disclosed in Note 13) (Note (ii)): | | |
| Salaries, wages and welfare | **571,564** | 494,491 |
| Retirement benefit scheme contributions | **129,210** | 123,179 |
| Provision for early retirement obligations (Note 38) (Note (iv)) | **–** | 96,580 |
| Total staff costs | **700,774** | 714,250 |
| Cost of sales and services rendered: | | |
| Cost of inventories recognised as an expense (Note (iii)) | **31,747,435** | 29,762,127 |
| Direct operating expense arising from services provided | **40,582** | 44,147 |
| | **31,788,017** | 29,806,274 |
| Research and development costs | **18,077** | 6,551 |

Notes:

(i) During the year, depreciation of property, plant and equipment of RMB617,046,000 (2018: RMB606,696,000), and amortisation of intangible assets and right-of-use assets (2018: prepaid lease payments) totaling RMB36,945,000 (2018: RMB33,125,000) was capitalised to inventories.

(ii) During the year, employee benefits expense of RMB562,186,000 (2018: RMB551,393,000) were capitalised to inventories.

(iii) Write-down of inventories of RMB1,820,000 (2018: RMB29,005,000), 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.

(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 |
| **2019** | | | | | |
| *Executive Directors* | | | | | |
| Mr. Wang Yan(Note (b)) | – | 319 | 41 | – | 360 |
| Mr. Long Zhong Sheng (Note (a)) | 1,028 | 235 | 53 | – | 1,316 |
| Mr. Zhai Baojin (Note (e)) | – | 446 | 15 | – | 461 |
| Mr. Tan Yaoyu (Note (c)) | – | 515 | 18 | – | 533 |
| Mr. Chen Zhimiao (Note (d)) | – | 242 | 27 | – | 269 |
| Mr. Yu Liming | – | 833 | 39 | – | 872 |
| *Independent Non-executive Directors* | | | | | |
| Mr. Wang Guoqi | 90 | – | – | – | 90 |
| Mr. Wang Qihong | 90 | – | – | – | 90 |
| Mr. Liu Jishun | 90 | – | – | – | 90 |
| | 1,298 | 2,590 | 193 | – | 4,081 |
| **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 | – | 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 |

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

### Directors and Chief Executive Officer (Continued)

Notes:

(a) Mr. Long Zhong Sheng is the Chief Executive Officer of the Company in both 2019 and 2018 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(b) Mr. Wang Yan was appointed as the chairman of the Company on 17 May 2019.

(c) Mr. Tan Yaoyu resigned as the chairman of the Company on 17 May 2019.

(d) Mr. Chen Zhimiao was appointed as the director of the Company on 21 June 2019.

(e) Mr. Zhai Baojin resigned as the director of the Company on 23 April 2019.

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, four (2018: three) were directors whose emoluments are included in the disclosures above. The emoluments of the remaining one (2018: two) individuals are as follows:

| | **2019<br>RMB'000** | 2018<br>RMB'000 |
|---|---|---|
| Salaries and other allowances | **807** | 949 |
| Retirement benefit scheme contributions | **39** | 86 |
| | **846** | 1,035 |

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

### Employees (Continued)

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

| | 2019 | 2018 |
|---|---|---|
| | Number of employees | |
| Nil to HK$1,000,000 | **1** | 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 2019 nor has any dividend been proposed since the end of the reporting period (2018: Nil).

## 15. EARNINGS/(LOSS) PER SHARE

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

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| **Earnings/(loss)** | | |
| Earnings/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share | **146,664** | (100,959) |

| | '000 | '000 |
|---|---|---|
| **Number of ordinary shares** | | |
| Number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share | **17,895,580** | 17,895,580 |

The computation of diluted earnings/(loss) per share for both years does not assume the conversion of the promissory note (Note 36) as the issue price is determined by reference to the market price of the shares of the Company.

## 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 2018 | 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 |
| Additions | 4,717 | – | 26,324 | 3,050 | 1,071 | 321,859 | 357,021 |
| Interest capitalised (Note 10) | – | – | – | – | – | 19,044 | 19,044 |
| Reclassification | 167,283 | 239,495 | 96,060 | – | – | (502,838) | – |
| Disposals | (1,488) | – | (12,520) | (4,392) | (143) | – | (18,543) |
| At 31 December 2019 | 5,722,392 | 2,908,793 | 3,654,080 | 157,636 | 48,324 | 489,330 | 12,980,555 |
| **Accumulated depreciation:** | | | | | | | |
| At 1 January 2018 | (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) |
| Provided for the year | (199,541) | (212,553) | (201,753) | (12,192) | (3,903) | – | (629,942) |
| Eliminated on disposals | 619 | – | 12,137 | 4,062 | 126 | – | 16,944 |
| At 31 December 2019 | (2,216,562) | (1,117,131) | (2,359,575) | (116,554) | (36,236) | – | (5,846,058) |
| **Accumulated impairment:** | | | | | | | |
| At 1 January 2018 | (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) |
| Eliminated on disposals | – | – | – | – | – | – | – |
| At 31 December 2019 | (180,179) | (94,960) | (51,046) | (286) | (3,033) | (15,037) | (344,541) |
| **Carrying values:** | | | | | | | |
| At 31 December 2019 | 3,325,651 | 1,696,702 | 1,243,459 | 40,796 | 9,055 | 474,293 | 6,789,956 |
| At 31 December 2018 | 3,354,061 | 1,669,760 | 1,323,211 | 50,268 | 11,904 | 636,228 | 7,045,432 |

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

### Impairment assessment

In prior years, in view of the existence of impairment indications, management of the Group conducted impairment testing for the non-current assets, including property, plant and equipment, leasehold lands and mining rights, attributable to a copper mine held by Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("Hui Xiang"), a subsidiary of the Group, and 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. The aggregate net carrying amount of these assets as at 31 December 2019 is RMB974,762,000 (2018: RMB1,037,989,000).

In the current year, as there are indications that these assets may suffer a further impairment loss, management of the Group conducted an impairment testing. 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, no further impairment loss or reversal of impairment loss is recognised in the current year.

## 17. RIGHT-OF-USE ASSETS

| | Leasehold lands RMB'000 |
|---|---|
| As at 31 December 2018 | – |
| Adjustment upon application of HKFRS 16 (Note 2) | 849,725 |
| As at 1 January 2019 | 849,725 |
| Additions | 4,484 |
| Released to profit or loss | (29,326) |
| As at 31 December 2019 | 824,883 |

During the year, expense relating to short-term leases with lease terms end within 12 months and leases of low-value assets amounted to RMB2,455,000. The total cash outflow for leases during the year amounted to RMB6,939,000.

The remaining lease periods of the existing leases ranging from 19 to 60 years.

## 18. EXPLORATION AND EVALUATION ASSETS

| | RMB'000 |
|---|---|
| At 1 January 2018 | 44,294 |
| Additions | 10,291 |
| Transfer to mining rights (Note 20) | (5,106) |
| At 31 December 2018 | 49,479 |
| Additions | 49,396 |
| Transfer to mining rights (Note 20) | (90,801) |
| At 31 December 2019 | 8,074 |

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.

## 19. PREPAID LEASE PAYMENTS

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

| | At 31 December 2018<br>RMB'000 |
|---|---|
| Non-current assets | 676,764 |
| Current assets | 21,611 |
| | 698,375 |

## 20. INTANGIBLE ASSETS

| | Mining rights RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2018 | 1,483,851 | 14,286 | 1,498,137 |
| Additions | – | 3,013 | 3,013 |
| Transfer from exploration and evaluation assets (Note 18) | 5,106 | – | 5,106 |
| At 31 December 2018 | 1,488,957 | 17,299 | 1,506,256 |
| Additions | – | 125 | 125 |
| Transfer from exploration and evaluation assets (Note 18) | 90,801 | – | 90,801 |
| At 31 December 2019 | 1,579,758 | 17,424 | 1,597,182 |
| **Accumulated amortisation and impairment:** (Note) | | | |
| At 1 January 2018 | (822,230) | (9,658) | (831,888) |
| Amortisation | (48,509) | (2,314) | (50,823) |
| At 31 December 2018 | (870,739) | (11,972) | (882,711) |
| Amortisation | (52,727) | (2,231) | (54,958) |
| At 31 December 2019 | (923,466) | (14,203) | (937,669) |
| **Carrying amounts:** | | | |
| At 31 December 2019 | 656,292 | 3,221 | 659,513 |
| At 31 December 2018 | 618,218 | 5,327 | 623,545 |

Note: In prior years, 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.

## 21. INVESTMENTS IN JOINT VENTURES

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

| | 2019<br>RMB' 000 | 2018<br>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)** | (64,702) |
| | **–** | – |

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 in the prior years. 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:

| | 2019<br>RMB' 000 | 2018<br>RMB' 000 |
|---|---|---|
| Accumulated unrecognised share of loss: | | |
| At 1 January | **82,548** | 75,913 |
| Unrecognised share of loss for the year | **38,174** | 6,635 |
| Share of profit during the year to cover unrecognised share of losses in prior years | **(23,778)** | – |
| Adjustments upon deregistration of joint ventures during the year | **(3,783)** | – |
| At 31 December | **93,161** | 82,548 |

## 22. 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:

| | 2019<br>RMB' 000 | 2018<br>RMB' 000 |
|---|---|---|
| Deferred tax assets | **71,324** | 121,738 |
| Deferred tax liabilities | **–** | – |
| | **71,324** | 121,738 |

## 22. 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 2018 | 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 |
| (Charged)/credited to profit or loss | (5,202) | 326 | (47,024) | 166 | 455 | (264) | (180) | (51,723) |
| At 31 December 2019 | 17,366 | 11,678 | 35 | 60,404 | 10,797 | 137 | 2,605 | 103,022 |

### Deferred tax liabilities

| | Mining rights RMB'000 |
|---|---|
| At 1 January 2018 | (34,316) |
| Credited to profit or loss | 1,309 |
| At 31 December 2018 | (33,007) |
| Credited to profit or loss | 1,309 |
| At 31 December 2019 | (31,698) |

As at 31 December 2019, the PRC subsidiaries of the Group had unrecognised tax losses of RMB205,704,000 (2018: RMB473,373,000), which will be expired on 31 December 2021, and unrecognised deductible temporary differences of RMB738,607,000 (2018: RMB653,381,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

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 RMB533,559,000 as at 31 December 2019 (2018: RMB248,071,000) 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.

## 23. INVENTORIES

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Raw materials | **741,259** | 1,051,153 |
| Work in progress | **1,261,243** | 1,538,959 |
| Finished goods | **375,995** | 579,345 |
| Goods in transit | **2,490,660** | 1,909,719 |
| | **4,869,157** | 5,079,176 |

## 24. TRADE AND BILLS RECEIVABLES

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Trade receivables | **259,610** | 367,306 |
| Less: Allowance for credit losses | **(10,705)** | (10,882) |
| | **248,905** | 356,424 |
| Bills receivables: | | |
| On hand | **149,241** | 137,436 |
| Endorsed to suppliers (Note 42) | **56,420** | 33,505 |
| Discounted to banks (Note 42) | **555,234** | 218,050 |
| | **760,895** | 388,991 |
| Total trade and bills receivables | **1,009,800** | 745,415 |
| Analysed for reporting purpose as: | | |
| Trade and bills receivables measured at amortised cost | **1,009,800** | 737,906 |
| Trade receivables measured at FVTPL | **–** | 7,509 |
| Total trade and bills receivables | **1,009,800** | 745,415 |

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, which are measured in its entirety as at FVTPL.

## 24. TRADE AND BILLS RECEIVABLES (Continued)

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.

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Within 1 year | **240,489** | 354,622 |
| More than 1 year, but less than 2 years | **7,177** | 369 |
| More than 2 years, but less than 3 years | **365** | 1,238 |
| Over 3 years | **874** | 195 |
| | **248,905** | 356,424 |

Details of impairment assessment of trade receivables for the years ended 31 December 2019 and 2018 are set out in Note 41.

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

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Trade receivables: | | |
| Fellow subsidiaries | **99,737** | 239,708 |
| Daye Group | **1** | 1 |
| Bills receivables: | | |
| Daye Group | **370,000** | – |

The above balances with related parties are unsecured, interest-free and are repayable according to the relevant sales contracts. The bills receivables from Daye Group are matured within one year.

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:

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Denominated in United States dollar ("US$") | **99,331** | 185,232 |

## 25. OTHER DEPOSITS

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Classified under non-current assets: | | |
| Deposits for acquisition of property, plant and equipment | **42,989** | 11,423 |
| Deposits for environment rehabilitation (Note (a)) | **28,008** | 30,191 |
| Deposits for land restoration (Note (b)) | **5,314** | 5,302 |
| | **76,311** | 46,916 |
| Classified under current assets: | | |
| Margin deposits (Note (c)) | **111,228** | 69,095 |

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 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 and certain financial institutions as security for commodities derivative instruments (Note 27).

## 26. PREPAYMENTS AND OTHER RECEIVABLES

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Prepayments for inventories | **40,851** | 101,182 |
| Value-added tax recoverable | **5,795** | 17,612 |
| Short-term advances to Daye Group (Note (a)) | **5,628** | 1,146,402 |
| Loans to a joint venture (Note (b)) | **119,836** | 125,000 |
| Amounts due from joint ventures (Note (c)) | **11,680** | 33,520 |
| Amounts due from fellow subsidiaries (Note (c)) | **20** | 92 |
| Insurance claim receivable (Note 9) | **35,693** | – |
| Receivables from brokers | **19,229** | 316 |
| Other receivables | **50,192** | 43,117 |
| | **288,924** | 1,467,241 |
| Less: Allowance for credit losses on other receivables | **(116,895)** | (22,769) |
| | **172,029** | 1,444,472 |

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 and carry fixed interest rates ranging from 4.35% to 4.6% (2018: 4.35% to 4.60%) per annum and overdue as at 31 December 2019.

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

Details of impairment assessment of other receivables for the years ended 31 December 2019 and 2018 are set out in Note 41.

## 27. DERIVATIVE FINANCIAL INSTRUMENTS

| | Current assets | | Current liabilities | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Copper futures contracts | **25,776** | 2,049 | **2,527** | 39,692 |
| Copper option contracts | **–** | – | **–** | 156 |
| Gold futures contracts | **4,086** | 1,508 | **–** | 359 |
| Gold forward contracts | **172,464** | 113,044 | **–** | – |
| Silver futures contracts | **955** | 1,941 | **132** | – |
| Currency forward contracts | **224** | 1,424 | **–** | – |
| Currency option contracts | **9,522** | – | **21,394** | 17,901 |
| Currency exchange swap contract | **7,402** | – | **–** | – |
| | **220,429** | 119,966 | **24,053** | 58,108 |

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

| | At 31 December | | | |
|---|---|---|---|---|
| | **2019** | | 2018 | |
| **Contract type** | **Quantity** | **Contract price (RMB)** | Quantity | Contract price (RMB) |
| Copper futures contracts (tonnes) | | | | |
| Buy | **27,325** | **40,962 to 49,120** | 25,925 | 42,151 to 48,972 |
| Sell | **7,225** | **42,384 to 49,732** | 5,990 | 42,662 to 49,009 |
| Copper option contracts (tonnes) | | | | |
| Sell | **–** | **–** | 500 | 38,433 |
| Gold futures contracts (kg) | | | | |
| Buy | **720** | **336,717 to 340,181** | 358 | 282,837 |
| Sell | **–** | **–** | 100 | 271,086 |
| Gold forward contracts (kg) | | | | |
| Buy | **5,355** | **283,790 to 347,710** | 9,560 | 268,020 to 283,470 |
| Silver futures contracts (kg) | | | | |
| Buy | **23,985** | **4,354** | 19,515 | 3,575 |
| Sell | **2,535** | **4,316** | – | – |

## 27. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Major terms of the currency forward contracts are as follows:

| **Nominal amount** | **Exchange rates** |
|---|---|
| *At 31 December 2019* | |
| Buy US$1,032,400 | US$1: RMB6.7489 |
| *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 |

Major terms of the currency option contracts are as follows:

| **Nominal amount** | **Exchange rates** |
|---|---|
| *At 31 December 2019* | |
| Buy US$195,602,000 | US$1: RMB6.7407 to RMB7.1870 |
| Sell US$195,602,000 | US$1: RMB6.7387 to RMB7.1850 |
| *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 |

Major terms of the currency exchange swap contracts are as follows:

| **Nominal amount** | **Exchange rates** |
|---|---|
| *At 31 December 2019* | |
| Buy US$30,000,000 | US$1: RMB6.7188 |

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. Besides, the Group also entered into foreign currency forward, option and exchange swap 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, option and exchange swap contracts. Therefore, those transactions were not designated for hedge accounting.

## 27. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### 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, foreign currency forward, option and exchange swap 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.

*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 | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Deposits in futures margin accounts (Note 25) | **111,228** | 69,095 | **–** | – | **111,228** | 69,095 |
| Derivatives in respect of: | | | | | | |
| Copper futures contracts | **25,776** | 2,049 | **–** | – | **25,776** | 2,049 |
| Gold futures contracts | **4,086** | 1,508 | **–** | – | **4,086** | 1,508 |
| Gold forward contracts | **172,464** | 113,044 | **–** | – | **172,464** | 113,044 |
| Silver futures contracts | **955** | 1,941 | **–** | – | **955** | 1,941 |
| Currency forward contracts | **224** | 1,424 | **–** | – | **224** | 1,424 |
| Currency exchange swap contracts | **7,402** | – | **–** | – | **7,402** | – |
| Currency option contracts | **9,522** | – | **–** | – | **9,522** | – |
| Total | **331,657** | 189,061 | **–** | – | **331,657** | 189,061 |

## 27. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

*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 | | Related amounts not set off in the consolidated statement of financial position | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Derivative financial liabilities | | Cash collateral received | | Net amount | |
| | At 31 December | | At 31 December | | At 31 December | | At 31 December | |
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Counterparty A | **118,323** | 72,792 | **(253)** | – | **–** | – | **118,070** | 72,792 |
| Counterparty B | **84,863** | 41,358 | **–** | – | **–** | – | **84,863** | 41,358 |
| Counterparty C | **29,515** | 30,214 | **(7,856)** | (6,476) | **–** | – | **21,659** | 23,738 |
| Counterparty D | **4,909** | 20,590 | **–** | (12,767) | **–** | – | **4,909** | 7,823 |
| Counterparty E | **22,011** | 12,480 | **(7,833)** | (6,384) | **–** | – | **14,178** | 6,096 |
| Counterparty F | **31,204** | 9,355 | **–** | – | **–** | – | **31,204** | 9,355 |
| Counterparty G | **8** | 1,781 | **–** | (209) | **–** | – | **8** | 1,572 |
| Counterparty H | **19,904** | 471 | **–** | (471) | **–** | – | **19,904** | – |
| Counterparty I | **17,707** | – | **(5,704)** | – | **–** | – | **12,003** | – |
| Counterparty J | **3,193** | – | **(2,407)** | – | **–** | – | **786** | – |
| Others | **20** | 20 | **–** | – | **–** | – | **20** | 20 |
| | **331,657** | 189,061 | **(24,053)** | (26,307) | **–** | – | **307,604** | 162,754 |

## 27. 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 | |
|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Derivatives in respect of: | | | | | | |
| Copper futures contracts | **2,527** | 39,692 | **–** | – | **2,527** | 39,692 |
| Copper option contracts | **–** | 156 | **–** | – | **–** | 156 |
| Silver futures contracts | **132** | – | **–** | – | **132** | – |
| Gold futures contracts | **–** | 359 | **–** | – | **–** | 359 |
| Currency option contracts | **21,394** | 17,901 | **–** | – | **21,394** | 17,901 |
| Total | **24,053** | 58,108 | **–** | – | **24,053** | 58,108 |

*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 | |
|---|---|---|---|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Counterparty A | **253** | – | **–** | – | **(253)** | – | **–** | – |
| Counterparty B | **–** | – | **–** | – | **–** | – | **–** | – |
| Counterparty C | **7,856** | 6,476 | **(7,856)** | (6,476) | **–** | – | **–** | – |
| Counterparty D | **–** | 12,767 | **–** | (12,767) | **–** | – | **–** | – |
| Counterparty E | **7,833** | 6,384 | **(7,833)** | (6,384) | **–** | – | **–** | – |
| Counterparty F | **–** | – | **–** | – | **–** | – | **–** | – |
| Counterparty G | **–** | 209 | **–** | – | **–** | (209) | **–** | – |
| Counterparty H | **–** | 15,773 | **–** | (471) | **–** | – | **–** | 15,302 |
| Counterparty I | **5,704** | – | **(5,704)** | – | **–** | – | **–** | – |
| Counterparty J | **2,407** | 16,499 | **(2,407)** | – | **–** | – | **–** | 16,499 |
| | **24,053** | 58,108 | **(23,800)** | (26,098) | **(253)** | (209) | **–** | 31,801 |

## 28. STRUCTURED BANK DEPOSITS

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Structured bank deposits | **440,000** | – |

The balances represented short-term deposits placed with reputable banks in the PRC with variable interest rate determined by reference to foreign currency exchange rate movement. These deposits are stated at FVTPL and the fair value changes for the year are insignificant.

## 29. RESTRICTED AND PLEDGED DEPOSITS, AND CASH, DEPOSITS AND BANK BALANCES

### Restricted and pledged deposits

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Classified under non-currents assets: | | |
| Deposits placed with Finance Company (Note (a)) | **44,776** | 43,355 |
| Classified under current assets: | | |
| Restricted bank balances (Note (b)) | **–** | 23,304 |

Notes:

(a) The deposits are placed with 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 33 (c)). These deposits bear interest at a fixed rate of 3.58% (2018: 3.58%) per annum.

(b) The balances were held in designated bank accounts as security for the Group's bills payable and letters of credit, and bore interest at a fixed rate of ranging from 0.3% to 1.3% per annum.

### Cash, deposits and bank balances

Included in cash, deposits and bank balances as at 31 December 2019 was RMB600,678,000 (2018: RMB557,527,000) placed with Finance Company as saving deposits, which bear interest at rate ranging from 0.53% to 1.50% (2018: 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% (2018: 0.35% to 1.38%) per annum.

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

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Denominated in US$ | **161,310** | 165,641 |
| Denominated in Hong Kong dollars | **966** | 2,884 |
| | **162,276** | 168,525 |

## 30. TRADE AND BILLS PAYABLES

| | 2019<br>RMB' 000 | 2018<br>RMB' 000 |
|---|---|---|
| Trade payables | **1,780,050** | 1,840,697 |
| Bills payables | **28,940** | 62,500 |
| | **1,808,990** | 1,903,197 |

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

| | 2019<br>RMB' 000 | 2018<br>RMB' 000 |
|---|---|---|
| Within 1 year | **1,759,310** | 1,828,020 |
| More than 1 year, but less than 2 years | **8,212** | 2,664 |
| More than 2 years, but less than 3 years | **2,549** | 844 |
| Over 3 years | **9,979** | 9,169 |
| | **1,780,050** | 1,840,697 |

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 RMB16,945,000 (2018: RMB30,522,000). 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:

| | 2019<br>RMB' 000 | 2018<br>RMB' 000 |
|---|---|---|
| Denominated in US$ | **1,312,506** | 1,068,832 |

## 31. OTHER PAYABLES AND ACCRUED EXPENSES

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Classified under current liabilities: | | |
| Salaries and welfare payables | **113,673** | 125,047 |
| Current portion of deferred income (Note 37) | **21,235** | 21,172 |
| Payables for purchase of property, plant and equipment (Note (a)) | **318,165** | 417,699 |
| Amounts due to Daye Group (Note (b)) | **29,880** | 30,383 |
| Amounts due to joint ventures (Note (b)) | **15,044** | 14,964 |
| Advance compensation from an insurance company | **–** | 47,000 |
| Land restoration costs payable to a fellow subsidiary | **67,940** | – |
| Other payables and accruals | **151,945** | 108,188 |
| Other deposits received | **40,203** | 50,662 |
| | **758,085** | 815,115 |
| Balances repayable after one year and classified under non-current liabilities: | | |
| Payables for purchase of property, plant and equipment (Note (a)) | **278,333** | 287,855 |

Notes:

(a) Included in payables for purchase of property, plant and equipment are payables to fellow subsidiaries of RMB466,314,000 (2018: RMB464,381,000) in relation to the construction work conducted by these fellow subsidiaries. Except for the payable to a fellow subsidiary of RMB278,333,000 (2018: RMB287,855,000) which bears interest at 4.35% (2018: 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.

## 32. CONTRACT LIABILITIES

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Contract liabilities in respect of sales of goods at 31 December | **43,781** | 82,398 |
| Revenue recognised during the year in respect of sale of goods that was included in the contract liability balance at the beginning of year | **77,336** | 90,450 |

As at 1 January 2018, contract liabilities in respect of sales of goods amounted to RMB100,396,000.

## 33. BANK AND OTHER BORROWINGS

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Bank borrowings: | | |
| Secured | **555,234** | 916,466 |
| Unsecured | **6,081,757** | 5,060,584 |
| Other borrowings: | | |
| Loans from Daye Group, unsecured (Note (a)) | **192,421** | 203,892 |
| Loans from Finance Company, unsecured (Note (a)) | **268,350** | 385,662 |
| Loans from a fellow subsidiary, unsecured (Note (a)) | **6,233** | 192,817 |
| Gold loans (Note (b)) | **1,855,393** | 2,748,328 |
| Other loans secured by deposits (Note (c)) | **506,743** | 507,660 |
| | **9,466,131** | 10,015,409 |

## 33. BANK AND OTHER BORROWINGS (Continued)

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Bank borrowings carrying amounts repayable*: | | |
| Within one year | **4,046,233** | 4,231,974 |
| More than one year, but not exceeding two years | **2,387,967** | 1,470,076 |
| More than two years, but not exceeding five years | **201,033** | 275,000 |
| More than five years | **1,758** | – |
| | **6,636,991** | 5,977,050 |
| Other borrowings carrying amounts repayable*: | | |
| Within one year | **1,521,117** | 946,238 |
| More than one year, but not exceeding two years | **618,069** | 2,362,026 |
| More than two years, but not exceeding five years | **649,809** | 626,567 |
| More than five years | **40,145** | 103,528 |
| | **2,829,140** | 4,038,359 |
| Less: Amounts due within one year shown under current liabilities | **(5,567,350)** | (5,178,212) |
| Amounts shown under non-current liabilities | **3,898,781** | 4,837,197 |

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

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Fixed-rate borrowings | **6,776,344** | 6,919,553 |
| Variable-rate borrowings | **2,689,787** | 3,095,856 |
| Total borrowings | **9,466,131** | 10,015,409 |

| | 2019 | 2018 |
|---|---|---|
| Effective interest rate: (per annum) | | |
| Fixed-rate borrowings | **1.20% to 6.15%** | 1.20% to 6.15% |
| Variable-rate borrowings* | **1.95% to 4.85%** | 2.55% to 4.85% |

* 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").

## 33. BANK AND OTHER BORROWINGS (Continued)

Notes:

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

| Interest rate | Terms of repayment | 2019<br>RMB' 000 | 2018<br>RMB' 000 |
|---|---|---|---|
| ***Daye Group*** | | | |
| Fixed rate: | | | |
| At 6.12% per annum (2018: 5.97%) | Repayable from 19 January 2022 to 22 May 2022 (2018:19 January 2020 to 14 August 2020) | **100,000** | 110,000 |
| At 4.60% per annum | Repayable on 29 August 2022 | **1,868** | 642 |
| At 1.20% per annum | Repayable on 24 December 2025 | **40,145** | 43,250 |
| At 6.00% per annum | Repayable on 23 August 2022 | **50,408** | 50,000 |
| | | **192,421** | 203,892 |
| ***Finance Company*** | | | |
| Fixed rate: | | | |
| At 3.915% per annum | Repayable on 6 May 2021 to 17 September 2021 (2018: 28 September 2019 to 16 July 2020) | **150,178** | 267,662 |
| At 5.225% per annum | Repayable on 11 October 2020 | **118,172** | 118,000 |
| | | **268,350** | 385,662 |
| ***A fellow subsidiary*** | | | |
| Floating rate: | | | |
| Three years interest rate quoted by PBOC | Repayable on 11 January 2022* | **3,033** | 192,817 |
| Interest-free: | Repayable on demand | **3,200** | – |

* Partly early repaid during the current year

## 33. 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 RMB58,319,000 (2018: losses of RMB155,960,000). The above gains and losses have been charged to profit or loss. The gold loans bear interest ranging from 3.9% to 4.2% (2018: 3% to 4.7%) per annum and RMB1,388,702,000 (2018: RMB905,944,000) 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 secured by the Group's deposits placed with Finance Company of RMB44,776,000 as at 31 December 2019 (2018: RMB43,355,000) (Note 29 (a)). The effective interest rate of the other loan is 4.99% (2018: 4.99%) per annum.

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

| | **2019<br>RMB'000** | 2018<br>RMB'000 |
|---|---|---|
| Denominated in US$ | **1,566,797** | 1,849,590 |

## 34. LEASE LIABILITIES

| | 31 December 2019 RMB'000 |
|---|---|
| **Lease liabilities payable:** | |
| Within one year | **4,495** |
| Within a period of more than one year but not more than two years | **4,715** |
| Within a period of more than two years but not more than five years | **15,577** |
| Within a period of more than five years | **122,278** |
| | **147,065** |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(4,495)** |
| Amount due for settlement after 12 months shown under non-current liabilities | **142,570** |

## 35. PROVISION FOR MINE REHABILITATION, RESTORATION AND DISMANTLING

| | RMB'000 |
|---|---|
| At 1 January 2018 | 44,085 |
| Interest cost charged to profit or loss (Note 10) | 1,322 |
| At 31 December 2018 | 45,407 |
| Additional provision | 4,621 |
| Interest cost charged to profit or loss (Note 10) | 1,304 |
| At 31 December 2019 | 51,332 |

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% (2018: 3%) per annum.

## 36. PROMISSORY NOTE

| | Principal amount RMB'000 | Interest accrued RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2018 | 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 |
| Interest charged to profit or loss (Note 10) | – | 42,347 | 42,347 |
| At 31 December 2019 | 891,537 | 119,502 | 1,011,039 |

A promissory note with a principal amount of RMB891,537,000 was issued to China Times Development Limited ("China Times"), an intermediate holding company of the Company, on 7 March 2017 (the "Promissory 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.

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.

## 37. DEFERRED INCOME

| | RMB'000 |
|---|---|
| At 1 January 2018 | 225,552 |
| Government grants obtained | 6,310 |
| Credited to profit or loss (Note 7) | (20,922) |
| At 31 December 2018 | 210,940 |
| Government grants obtained | 7,617 |
| Credited to profit or loss (Note 7) | (21,235) |
| At 31 December 2019 | 197,322 |

| | **2019**<br>**RMB'000** | 2018<br>RMB'000 |
|---|---|---|
| Analysed as: | | |
| Current (Note 31) | **21,235** | 21,172 |
| Non-current | **176,087** | 189,768 |
| | **197,322** | 210,940 |

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.

## 38. EARLY RETIREMENT OBLIGATIONS

| | RMB'000 |
|---|---|
| At 1 January 2018 | 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 |
| Interest cost charged to profit or loss (Note 10) | 4,980 |
| Actuarial losses recognised during the year | 17,510 |
| Benefits paid | (48,170) |
| At 31 December 2019 | 162,710 |

## 38. EARLY RETIREMENT OBLIGATIONS (Continued)

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Analysed as: | | |
| Current | **38,820** | 44,850 |
| Non-current | **123,890** | 143,540 |
| | **162,710** | 188,390 |

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 prior year, the Group made offers to 319 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 was RMB96,580,000.

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:

| | 2019<br>% | 2018<br>% |
|---|---|---|
| Discount rate (per annum) | **2.75** | 3.00 |
| Expected annual salary incremental rate (per annum) | **10** | 10 |

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

## 39. SHARE CAPITAL

### Ordinary share capital of the Company

| | Number of shares | Amount<br>HK$'000 |
|---|---|---|
| *Ordinary shares of HK$0.05 each* | | |
| Authorised: | | |
| At 1 January 2018, 31 December 2018 and 31 December 2019 | 30,000,000,000 | 1,500,000 |
| | | RMB'000 |
| Issued and fully paid: | | |
| At 1 January 2018, 31 December 2018 and 31 December 2019 | 17,895,579,706 | 727,893 |

There was no movement in the Company's share capital for both years ended 31 December 2019 and 2018.

## 40. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of net debts (which includes bank and other borrowings, lease liabilities and promissory note, net of restricted and pledged deposits, and cash, deposits 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:

| | Notes | **2019**<br>**RMB'000** | 2018<br>RMB'000 |
|---|---|---|---|
| Debts | (i) | **10,624,235** | 10,984,101 |
| Less: Pledged and restricted deposits, and cash, deposits and bank balances | | **(1,546,660)** | (928,275) |
| Net debts | | **9,077,575** | 10,055,826 |
| Equity attributable to owners of the Company | (ii) | **2,384,125** | 2,237,461 |
| Net debts to equity ratio | | **380.8%** | 449.4% |

Notes:

(i) Debts comprise non-current and current bank and other borrowings, lease liabilities and promissory note as detailed in Notes 33, 34 and 36, respectively.

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

## 41. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Financial assets: | | |
| Financial assets at amortised cost | **2,793,071** | 3,060,954 |
| Financial assets at FVTPL: | | |
| Derivative financial instruments | **220,429** | 119,966 |
| Trade receivables measured at FVTPL | **–** | 7,509 |
| Structured bank deposits | **440,000** | – |
| Financial liabilities: | | |
| At amortised cost | **11,445,950** | 11,220,768 |
| At FVTPL: | | |
| Derivative financial instruments | **24,053** | 58,108 |
| Designated at FVTPL – Gold loans* | **1,855,393** | 2,748,328 |
| Lease liabilities | **147,065** | – |

* 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, structured bank deposits, restricted and pledged deposits, cash, deposits and bank balances, trade and bills payables, other payables, bank and other borrowings (including gold loans), promissory note, lease liabilities 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.

## 41. 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 profit/(loss) after tax would have been affected as set out below:

| | **2019** | 2018 |
|---|---|---|
| | **(Decrease)/ increase in profit after tax RMB' 000** | (Increase)/ decrease in loss after tax RMB' 000 |
| The prices of the commodity derivative contracts: | | |
| Increased by 10% | **15,047** | 5,876 |
| Decreased by 10% | **(15,047)** | (5,876) |

*Interest rate risk*

The Group is exposed to interest rate risk on deposits, bank balances, borrowings and promissory note. Deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits, bank balances, promissory note and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's margin deposits, restricted and pledged deposits, cash, deposits and bank balances, bank and other borrowings and promissory note have been disclosed in Notes 25, 29, 33 and 36, 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 the 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 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 profit/(loss) after tax as a result of the change in interest expense for floating rate borrowings after consideration of capitalisation of borrowing costs:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **+100 basis points (Decrease)/ increase in profit after tax RMB' 000** | **-100 basis points (Decrease)/ increase in profit 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 | **(19,411)** | **19,411** | (21,722) | 21,722 |

## 41. 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 profit/(loss) after tax due to changes in the carrying value of monetary assets and liabilities, and certain derivative financial instruments.

| | **2019 (Decrease)/ increase in profit after tax RMB'000** | 2018 (Increase)/ decrease in loss after tax RMB'000 |
|---|---|---|
| RMB – US$ | | |
| Appreciation of RMB by 5% | **98,041** | 95,665 |
| Depreciation of RMB by 5% | **(98,041)** | (95,665) |

*Credit risk and impairment assessment*

At 31 December 2019, 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 on trade receivables measured at amortised cost and other receivables individually.

## 41. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

*Credit risk and impairment assessment (Continued)*

Bills receivables are only drawn from major state-owned financial institutions and Finance Company in the PRC. Substantially all margin deposits, structured bank deposits, restricted and pledged deposits, and cash, deposits and bank balances as detailed in Notes 25, 28 and 29 are held in major state-owned financial institutions and Finance Company located in the PRC. Substantially all derivative financial instruments are directly entered into with the Shanghai Futures Exchange and financial institutions 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.

For the loans to and amounts due from joint ventures, the Group has joint control over its joint ventures and their financial positions are regularly monitored in order to minimise the credit risk associated with the loans to and amount due from joint ventures. The Group also reviews the recoverable amount of each individual balance at the end of the reporting period to ensure that adequate impairment losses are made.

The Group has concentration of credit risk as 43.28% (31 December 2018: 52.0%) and 85.23% (31 December 2018: 89.9%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively.

Apart from the above and loans to and amounts due from joint ventures and Daye Group, the Group does not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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 |

## 41. 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 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|---|
| Financial assets at amortised cost | | | | |
| Trade receivables (Note 24) (Note) | Low risk | Lifetime ECL - not credit-impaired | **245,956** | 348,915 |
| | Doubtful | Lifetime ECL - not credit-impaired | **3,491** | 188 |
| | Loss | Lifetime ECL - credit-impaired | **10,163** | 10,694 |
| | | | **259,610** | 359,797 |
| Bills receivables (Note 24) | Low risk | 12-month ECL | **760,895** | 388,991 |
| Other receivables (Note 26) | Low risk | 12-month ECL | **79,764** | 20,664 |
| | Doubtful | Lifetime ECL - not credit-impaired | **–** | 1,268 |
| | Loss | Lifetime ECL - credit-impaired | **25,350** | 21,501 |
| | | | **105,114** | 43,433 |
| Loans to a joint venture (Note 26) | Low risk | 12-month ECL | **–** | 125,000 |
| | Loss | Lifetime ECL - credit-impaired | **119,836** | – |
| | | | **119,836** | 125,000 |
| Amounts due from joint ventures (Note 26) | Low risk | 12-month ECL | **–** | 33,520 |
| | Loss | Lifetime ECL - credit-impaired | **11,680** | – |
| | | | **11,680** | 33,520 |
| Amounts due from fellow subsidiaries (Note 26) | Low risk | 12-month ECL | **20** | 92 |
| Amounts due from Daye Group (Note 26) | Low risk | 12-month ECL | **5,628** | 1,146,402 |

## 41. 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 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|---|
| Financial assets at amortised cost | | | | |
| Restricted and pledged deposits (Note 29) | Low risk | 12-month ECL | **44,776** | **66,659** |
| Others deposits (Note 25) | Low risk | 12-month ECL | **111,228** | **69,095** |
| Cash, deposits and bank balances (Note 29) | Low risk | 12-month ECL | **1,501,884** | **861,616** |

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 2019, the Group provided RMB159,000 (2018: RMB383,000) impairment loss for trade receivables measured at amortised cost based on individual assessment, and reversed impairment loss of RMB336,000 (2018: Nil) for trade receivables upon the settlement of balances during the year.

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 |
| Changes due to financial instruments recognised as at 1 January 2019: | | | |
| Impairment losses recognised | 159 | – | 159 |
| Impairment losses reversed | – | (336) | (336) |
| As at 31 December 2019 | 542 | 10,163 | 10,705 |

## 41. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

The following table shows the movement in ECL that has been recognised for other receivables, and loans to and amounts due from a joint venture measured at amortised cost.

| | 12-month ECL RMB'000 | Lifetime-ECL (not credit-impaired) RMB'000 | Lifetime-ECL (credit-impaired) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 1 January 2018 | – | – | 21,501 | 21,501 |
| Impairment losses recognised attributable to financial assets recognised as at 1 January 2018 | – | 1,268 | – | 1,268 |
| As at 31 December 2018 | – | 1,268 | 21,501 | 22,769 |
| Changes due to financial instruments recognised as at 1 January 2019: | | | | |
| Impairment losses recognised | – | 90,324 | 3,802 | 94,126 |
| Transfer to credit impaired | – | (91,592) | 91,592 | – |
| As at 31 December 2019 | – | – | 116,895 | 116,895 |

During the year, the Group provided RMB94,126,000 (2018: RMB1,268,000) impairment allowance for other receivables, and loans to a joint venture and amounts due from a joint venture which was made based on the individual assessment.

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.

#### *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.

In order to mitigate the liquidity risk, the Directors regularly monitor the operating cash flows of the Group to meet its liquidity requirement in the short and long term, and have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Meanwhile, the Group recorded net operating cash inflows for the years ended 31 December 2019 and 2018.

## 41. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

The Directors have prepared a working capital forecast of the Group covering a period of not less than 12 months from 31 December 2019. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, and assuming the current group's borrowings could be renewed at a rate with reference to the Group's historical average loans renewal rate in the past three years. The Directors, after taking into account the reasonably possible changes in the operational performance, the availability of borrowings and the expected renewal of the short-term borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due.

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 2019 | | | | | | | |
| **Non-derivative financial liabilities:** | | | | | | | |
| Trade and bills payables | – | **1,808,990** | **–** | **–** | **–** | **1,808,990** | **1,808,990** |
| Other payables | – | **736,850** | **290,490** | **–** | **–** | **1,027,340** | **1,015,183** |
| Lease liabilities | **4.9** | **11,701** | **11,701** | **35,103** | **175,516** | **234,021** | **147,065** |
| Bank and other borrowings | **1.2-6.15** | **5,719,513** | **3,220,193** | **906,231** | **42,387** | **9,888,324** | **9,466,131** |
| Promissory note | **4.75** | **161,851** | **42,348** | **899,194** | **–** | **1,103,393** | **1,011,039** |
| | | **8,438,905** | **3,564,732** | **1,840,528** | **217,903** | **14,062,068** | **13,448,408** |
| Derivatives – net settlement | | **2,435** | **–** | **–** | **–** | **2,435** | **2,435** |
| 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 |

## 41. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

*Liquidity risk (Continued)*

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 2019** | | | | | | |
| Currency option contracts: | | | | | | |
| Inflow | **(1,345,740)** | **–** | **–** | **–** | **(1,345,740)** | **(1,345,740)** |
| Outflow | **1,357,612** | **–** | **–** | **–** | **1,357,612** | **1,357,612** |
| | **11,872** | **–** | **–** | **–** | **11,872** | **11,872** |
| Currency exchange swap contracts: | | | | | | |
| Inflow | (208,966) | – | – | – | (208,966) | (208,966) |
| Outflow | 201,564 | – | – | – | 201,564 | 201,564 |
| | (7,402) | – | – | – | (7,402) | (7,402) |
| **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 |

## 41. 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<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| *At 31 December 2019* | | | | |
| *Financial assets* | | | | |
| Commodity futures contracts | **–** | **30,817** | **–** | **30,817** |
| Other derivative financial instruments | **–** | **189,612** | **–** | **189,612** |
| Structured bank deposits | **–** | **440,000** | **–** | **440,000** |
| *Financial liabilities* | | | | |
| Commodity futures contracts | **–** | **2,659** | **–** | **2,659** |
| Other derivative financial instruments | **–** | **21,394** | **–** | **21,394** |
| Gold loans | **–** | **1,855,393** | **–** | **1,855,393** |
| *At 31 December 2018* | | | | |
| *Financial assets* | | | | |
| Commodity futures contracts | – | 5,498 | – | 5,498 |
| Other derivative financial instruments | – | 114,468 | – | 114,468 |
| Trade receivables measured at FVTPL | – | 7,509 | – | 7,509 |
| *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 |

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).

## 41. 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 2019 RMB'000 | 2018 RMB'000 | Fair value hierarchy | Valuation technique |
|---|---|---|---|---|---|
| Copper futures contracts: | Assets | **25,776** | 2,049 | Level 2 | Note 1 |
| | Liabilities | **2,527** | 39,692 | Level 2 | Note 1 |
| Gold futures contracts: | Assets | **4,086** | 1,508 | Level 2 | Note 1 |
| | Liabilities | **–** | 359 | Level 2 | Note 1 |
| Gold forward contracts: | Assets | **172,464** | 113,044 | Level 2 | Note 2 |
| Silver futures contracts: | Assets | **955** | 1,941 | Level 2 | Note 1 |
| | Liabilities | **132** | – | Level 2 | Note 1 |
| Copper option contracts: | Liabilities | **–** | 156 | Level 2 | Note 2 |
| Currency forward contracts: | Assets | **224** | 1,424 | Level 2 | Note 2 |
| Currency option contracts: | Assets | **9,522** | – | Level 2 | Note 2 |
| | Liabilities | **21,394** | 17,901 | Level 2 | Note 2 |
| Currency exchange swap contracts: | Assets | **7,402** | – | Level 2 | Note 2 |
| Gold loans: | Liabilities | **1,855,393** | 2,748,328 | Level 2 | Note 3 |
| Structured bank deposits: | Assets | **440,000** | – | Level 2 | Note 4 |
| Trade receivables measured at FVTPL | Assets | **–** | 7,509 | Level 2 | Note 5 |

Notes:

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

(2) Discounted cash flows, future cash flows are estimated based on forward 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.

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

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

There were no transfers between Level 1 and 2 for the years ended 31 December 2019 and 2018, and there were no transfers into or out of Level 3 during both years.

## 41. FINANCIAL INSTRUMENTS (Continued)

### Fair value measurement of financial instruments (Continued)

#### *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.

## 42. TRANSFERS OF FINANCIAL ASSETS

The following are the financial assets of the Group (measured at amortised cost) transferred to suppliers, 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 2019** | | |
| Carrying amount of transferred assets | **56,420** | **555,234** |
| Carrying amount of associated liabilities | **(56,420)** | **(555,234)** |
| Net position | **–** | **–** |
| **At 31 December 2018** | | |
| Carrying amount of transferred assets | 33,505 | 218,050 |
| Carrying amount of associated liabilities | (33,505) | (218,050) |
| Net position | – | – |

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivables to 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.

## 43. 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 33) RMB'000 | Lease liabilities (Note 34) RMB'000 | Promissory note (Note 36) RMB'000 | Amounts due to a joint venture and Daye Group under other payables and accrued expenses (Note 31(b)) RMB'000 | Other payables RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2018 | 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 |
| Adjustment upon application of HKFRS 16 (Note 2) | – | 151,350 | – | – | – | 151,350 |
| At 1 January 2019 | 10,015,409 | 151,350 | 968,692 | 45,347 | – | 11,180,798 |
| Financing cash flows | (1,064,213) | – | – | (423) | – | (1,064,636) |
| Settled through current account balances with Daye Group | – | (11,701) | – | – | – | (11,701) |
| Fair value adjustments | 58,319 | – | – | – | – | 58,319 |
| Interest expenses | 417,617 | 7,416 | 42,347 | – | – | 467,380 |
| Exchange differences | 38,999 | – | – | – | – | 38,999 |
| At 31 December 2019 | 9,466,131 | 147,065 | 1,011,039 | 44,924 | – | 10,669,159 |

## 44. 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:

| | **2019**<br>**RMB'000** |
|---|---|
| Within one year | **2,299** |
| In the second year | **2,299** |
| In the third year | **2,299** |
| In the fourth year | **2,299** |
| In the fifth year | **181** |
| After five years | **183** |
| | **9,560** |

| | 2018<br>RMB'000 |
|---|---|
| Within one year | 4,805 |
| In the second to fifth year inclusive | 9,196 |
| After five years | 364 |
| | 14,365 |

### The Group as lessee

The group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

| | At 31 December<br>2018<br>RMB'000 |
|---|---|
| Within one year | 12,787 |
| In the second to fifth year inclusive | 51,017 |
| Over five years | 204,066 |
| | 267,870 |

## 45. CAPITAL COMMITMENTS

| | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|
| Capital expenditure contracted but not provided for in respect of: | | |
| Acquisition of property, plant and equipment | **265,139** | 374,531 |

## 46. 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 | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|---|
| **Income:** | | | | |
| Sales of non-ferrous metals* | (i) | Daye Group | **1,220,966** | 444,570 |
| | (i) | Fellow subsidiaries | **3,766,425** | 3,324,536 |
| Sales of other materials* | (i) | Daye Group | **101** | 165 |
| | (i) | Fellow subsidiaries | **76,469** | 92,342 |
| Rendering of services* | (i) | Daye Group | **75** | 324 |
| | (i) | Fellow subsidiaries | **991** | 313 |
| Rendering of services | (i) | Fellow subsidiaries | **–** | 482 |
| Interest income* | (ii) | Finance Company | **6,954** | 9,084 |
| Interest income | (ii) | A joint venture | **3,652** | 4,854 |
| Interest income | (ii) | Daye Group | **13,746** | 2,732 |
| Rental income for leasing of assets* | (iii) | Daye Group | **–** | 7,526 |
| | (iii) | Fellow subsidiaries | **3,852** | 2,843 |
| Rental income for leasing of lands | (iii) | Fellow subsidiaries | **933** | 833 |

## 46. 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 | 2019 RMB'000 | 2018 RMB'000 |
|---|---|---|---|---|
| **Expenses:** | | | | |
| Transportation fees* | (i) | An associate of Daye Group | **1,274** | 1,679 |
| Utilities fees* | (i) | Fellow subsidiaries | **325,443** | 306,492 |
| | (i) | Daye Group | **321** | 1,553 |
| Purchases of non-ferrous metals* | (i) | Daye Group | **246,866** | 18,029 |
| | (i) | Fellow subsidiaries | **1,367,192** | 1,164,422 |
| | (i) | An associate ofDaye Group | **43,996** | 14,315 |
| Purchases of other products* | (i) | Daye Group | **–** | 102 |
| | (i) | Fellow subsidiaries | **71,987** | 93,068 |
| Other service expense* | (i) | Fellow subsidiaries | **15,418** | 14,426 |
| Rental expense for leasing of lands* | (iii) | Daye Group | **–** | 11,595 |
| Rental expense for leasing of lands | (iii) | Fellow subsidiaries | **943** | 944 |
| Rental expense for leasing of assets (premises)* | (iii) | Fellow subsidiaries | **78** | 1,474 |
| Interest expense | (iv) | Daye Group | **19,086** | 28,888 |
| | (iv) | Finance Company | **13,012** | 15,584 |
| | (iv) | Fellow subsidiaries | **17,542** | 20,372 |
| | (v) | China Times | **42,347** | 42,348 |
| Interest expense on lease liabilities | (vi) | Daye Group | **7,416** | – |
| Purchase of accommodation, catering, conference and other services | (i) | An associate of Daye Group | **–** | 19 |
| **Capital expenditures:** | | | | |
| Construction contract fees* | (i) | Fellow subsidiaries | **303,405** | 150,106 |
| Other service fees* | (i) | Fellow subsidiaries | **45,375** | 46,679 |

* 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.

## 46. 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 Finance Company, short-term advances to Daye Group and loans to a joint venture. Further details of these balances at the end of the reporting period are set out in Notes 26 and 29, respectively.

(iii) These transactions were conducted in accordance with terms of the relevant agreements, of which the rentals for leasehold lands/assets were determined by reference to the amortisation/depreciation of the relevant lands/assets. The leasing of lands from Daye Group is recognised as right-of-use assets upon application of HKFRS 16 as at 1 January 2019.

(iv) The interest expense arose from unsecured loans from Daye Group, Finance Company and a fellow subsidiary, and amounts due to a fellow subsidiary, further details are set out in Notes 33 and 31, respectively.

(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 Note 36.

(vi) The Group leases certain lands from Daye Group. As at 31 December 2019, the right-of-use assets related to lease from Daye Group amounted to RMB144,143,000 (1 January 2019 (upon application of HKFRS 16): RMB151,350,000), and the related lease liabilities amounted to RMB147,065,000 (1 January 2019 (upon application of HKFRS 16): RMB151,350,000). During the year, lease payments of RMB11,701,000 (2018: RMB11,595,000) payable to Daye Group was settled through the current account balances of Daye Group.

### *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). Further details of Directors' emoluments are included in Note 13.

## 47. 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 RMB129,210,000 for the year ended 31 December 2019 (2018: RMB123,179,000).

## 48. 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 country of operation | Issued and fully paid-up capital | Proportion ownership interest and voting power held by the Company At 31 December 2019 | 2018 | 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 |
| 陽新弘盛銅業有限公司# (Yangxin Hongsheng Copper Industry Company Limited) ("Yangxin Hongsheng") (Notes (b) and (c)) | PRC/PRC | RMB670,000,000 | 58.21% | – | Smelting and processing of non-ferrous metals, gold and silver products and trading of non-ferrous metals |
| 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 |

* 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.

\# Newly established during the year and held by Hubei Daye.

## 48. DETAILS OF SUBSIDIARIES (Continued)

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.

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 2019 and 2018 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 | Profit/(loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|
| | | 2019 and 2018 | **2019** | 2018 | **2019** | 2018 |
| | | | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Hubei Daye* | PRC | 4.65% | **13,587** | (2,214) | **472,252** | 170,596 |
| Hui Xiang | PRC | 45% | **14,574** | 15,148 | **30,464** | 15,890 |
| Individually immaterial subsidiaries with non-controlling interests | | | **(1,277)** | 1,423 | **(17,279)** | (7,933) |
| Total | | | **26,884** | 14,357 | **485,437** | 178,553 |

* During the year, Yangxin Hongsheng was established of which Hubei Daye holds 58.21% of its equity interests. Capital injection from non-controlling interests of Yangxin Hongsheng amounted to RMB280,000,000.

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.

## 48. DETAILS OF SUBSIDIARIES (Continued)

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

*Hubei Daye*

| | At 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | **RMB'000** | RMB'000 |
| Current assets | **8,562,686** | 8,371,620 |
| Non-current assets | **7,843,729** | 7,957,961 |
| Current liabilities | **(7,926,240)** | (7,717,323) |
| Non-current liabilities | **(4,230,688)** | (4,943,520) |
| Net assets | **4,249,487** | 3,668,738 |
| Equity attributable to owners of the Company | **3,777,235** | 3,498,142 |
| Non-controlling interests of Hubei Daye | **184,207** | 170,596 |
| Non-controlling interests of Hubei Daye's subsidiaries | **288,045** | – |
| Total equity | **4,249,487** | 3,668,738 |
| Revenue | **32,457,778** | 30,483,628 |
| Expenses | **(32,155,149)** | (30,531,231) |
| Profit/(loss) and total comprehensive income/(expense) for the year | **302,629** | (47,603) |
| Profit/(loss) and total comprehensive income/(expense) attributable to: | | |
| Owners of the Company | **289,042** | (45,389) |
| Non-controlling interests of Hubei Daye | **14,096** | (2,214) |
| Non-controlling interests of Hubei Daye's subsidiaries | **(509)** | – |
| | **302,629** | (47,603) |
| Dividends paid to non-controlling interests | **–** | – |
| Net cash inflow/(outflow) from: | | |
| Operating activities | **1,758,467** | 150,174 |
| Investing activities | **(422,476)** | (1,563,565) |
| Financing activities | **(1,489,796)** | 1,368,038 |
| Net cash outflow | **(153,805)** | (45,353) |

## 48. DETAILS OF SUBSIDIARIES (Continued)

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

*Hui Xiang*

| | 2019<br>RMB'000 | 2018<br>RMB'000 |
|---|---|---|
| Current assets | **101,767** | 87,254 |
| Non-current assets | **1,067,345** | 1,132,991 |
| Current liabilities | **(574,363)** | (506,393) |
| Non-current liabilities | **(527,051)** | (678,543) |
| Net assets | **67,698** | 35,309 |
| Equity attributable to owners of the Company | **37,234** | 19,419 |
| Non-controlling interests of Hui Xiang | **30,464** | 15,890 |
| Total equity | **67,698** | 35,309 |
| Revenue | **319,852** | 339,171 |
| Expenses | **(287,463)** | (305,509) |
| Profit and total comprehensive income for the year | **32,389** | 33,662 |
| Profit and total comprehensive income attributable to: | | |
| Owners of the Company | **17,815** | 18,514 |
| Non-controlling interests of Hui Xiang | **14,574** | 15,148 |
| | **32,389** | 33,662 |
| Dividends paid to non-controlling interests | **–** | – |
| Net cash inflow/(outflow) from: | | |
| Operating activities | **99,431** | 48,779 |
| Investing activities | **(77,610)** | (25,492) |
| Financing activities | **(18,255)** | (19,929) |
| Net cash inflow | **3,566** | 3,358 |

## 49. 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:

| | 2019<br>RMB' 000 | 2018<br>RMB' 000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Unlisted investments in subsidiaries | **3,781,823** | 3,785,288 |
| Unlisted investments in joint ventures | **1** | 1 |
| Amounts due from subsidiaries | **210,023** | 503,540 |
| | **3,991,847** | 4,288,829 |
| CURRENT ASSETS | | |
| Amounts due from subsidiaries | **–** | 765 |
| Amounts due from joint ventures | **70** | 33,520 |
| Loans to a joint venture | **39,924** | 125,000 |
| Cash and bank balances | **922** | 133 |
| Prepayments and other receivables | **9,812** | 8,397 |
| | **50,728** | 167,815 |
| CURRENT LIABILITIES | | |
| Amounts due to subsidiaries | **12,690** | 14,090 |
| Amounts due to joint ventures | **1** | 1 |
| Loans from a subsidiary | **166,357** | 125,000 |
| Other payables and accrued expenses | **3,813** | 48,459 |
| | **182,861** | 187,550 |
| NET CURRENT LIABILITIES | **(132,133)** | (19,735) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **3,859,714** | 4,269,094 |
| CAPITAL AND RESERVES | | |
| Share capital | **727,893** | 727,893 |
| Reserves (Note) | **1,820,140** | 2,271,867 |
| TOTAL EQUITY | **2,548,033** | 2,999,760 |
| NON-CURRENT LIABILITIES | | |
| Loans from a subsidiary | **300,642** | 300,642 |
| Promissory note | **1,011,039** | 968,692 |
| | **1,311,681** | 1,269,334 |
| | **3,859,714** | 4,269,094 |

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

Note:

*Movements in the Company's reserves*

| | Share premium RMB'000 | Other reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2018 | 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 |
| Loss and total comprehensive expense for the year | – | – | (451,727) | (451,727) |
| At 31 December 2019 | 124,592 | 1,825 | 1,693,723 | 1,820,140 |

## 50. EVENT AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The COVID-19 outbreak is expected to have a negative impact on the commodity market and the copper price. This may in turn negatively affect the recoverable amount of certain of the Group's CGUs and net realisable value of inventories. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. Apart from the above potential impact, as at the date of approval of the consolidated financial statements, the Group was not aware of any other material adverse effects on the financial statements as a result of the COVID-19 outbreak.

# Definitions

In this report, unless the context otherwise requires, the following terms and expressions have the meaning set forth below:

| | |
|---|---|
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors |
| "CNMC" | China Nonferrous Metal Mining (Group) Co., Ltd, a limited liability company incorporated in the PRC and a controlling Shareholder |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "connected transaction(s)" | has the meaning ascribed to it under the Listing Rules |
| "Company" | China Daye Non-Ferrous Metals Mining Limited (Stock code: 661), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange |
| "Daye Metal" | Daye Non-ferrous Metals Co., Ltd.* (大冶有色金屬有限責任公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of the Company |
| "Director(s)" | directors of the Company |
| "Group" | the Company and its subsidiaries |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| "Parent Company" | Daye Nonferrous Metals Group Holdings Company Limited* (大冶有色金屬集團控股有限公司), a limited liability company incorporated in the PRC and a controlling Shareholder |
| "PRC" | the People's Republic of China, which for the purpose of this report, excludes Hong Kong, the Macau Special Administration of the People's Republic of China and Taiwan |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| "Shareholder(s)" | holder(s) of the share(s) of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "%" | per cent |