# 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**

# 2022 ANNUAL REPORT

# Mineral Resources


## XINJIANG MINE

Wuqia County

4 Sareke Copper Mine

## HUBEI MINES

Daye City

1 Tonglvshan Mine

2 Tongshankou Mine

Yangxin County

3 Fengshan Mine

# Contents



# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors:

Xiao Shuxin *(Chairman)*
Long Zhong Sheng *(Chief Executive Officer)*
Chen Zhimiao
Zhang Guangming

### Independent Non-executive Directors:

Wang Guoqi
Wang Qihong
Liu Jishun

## AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Wang Guoqi *(Chairman)*
Wang Qihong
Liu Jishun

## NOMINATION COMMITTEE

Xiao Shuxin *(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

SHINEWING (HK) CPA Limited

## PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1, 11/F.
China United Plaza
1008 Tai Nan West Street
Kowloon
Hong Kong

## PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

## HONG KONG BRANCH REGISTRAR

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

## STOCK CODE

661

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Xiao Shuxin**, aged 46, has been an executive director of the Company since 2021. He graduated from Shanxi University of Finance and Economics* ( 山西財經學院 ) in 1997 majoring in investment economics with a bachelor's degree in economics and is an intermediate economist. From September 1997 to October 2006, he served as a salesman of the import and export department 8 and department 6 and the deputy manager of the business division 2 of department 6 of China National Commercial Foreign Trade Corporation* ( 中國商業對外貿易總公司 ). From October 2006 to November 2007, he served as a salesman of the trading department of CNMC. He served as, from November 2007 to August 2011, the deputy manager of the import and export department, manager and assistant to the general manager of the commercial transportation centre, from September 2011 to March 2016, the deputy general manager, from March 2016 to February 2021, a member of the Communist Party Committee and the deputy general manager of China Nonferrous International Trading Co., Ltd.* ( 中色國際貿易有限公司 ), a wholly-owned subsidiary of CNMC. He served as member of the Standing Committee of the Communist Party Committee and the deputy general manager of the Parent Company since February 2021. Mr. Xiao has more than 24 years of experience in business administration.

**Mr. Long Zhong Sheng**, aged 59, 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. Chen Zhimiao**, aged 48, has been an executive director of the Company since 2019. Mr. Chen 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

**Mr. Zhang Guangming**, aged 45, has been an executive director of the Company since 2022. He graduated from the School of Economics and Trade of Hubei University* (湖北大學經貿學院) majoring in foreign related accounting with a bachelor's degree in 2000 and is a senior accountant. From July 2000 to March 2004, he served as an accountant of Financial Department of Tonglvshan Mine of Daye Non-Ferrous Metals Co., Ltd.* (大冶有色金屬有限責任公司), a subsidiary of the Company, and served as the head of Treasury Division of Financial Department from January 2010 to May 2011, a deputy director of Financial Department from January 2018 to August 2018, a supervisor from April 2019 to January 2021 and from January 2022 to July 2022, and a member of the Party Committee, secretary of the Party Committee, director, chairman and legal representative since July 2022. He served as an accountant of Cost Section of Financial Department from March 2004 to March 2006, a deputy head of Finance Section of Transportation Department from March 2006 to December 2006, a deputy head of Treasury Section of Financial Department from December 2006 to June 2008, a head of Treasury Section of Financial Department from June 2008 to January 2010, a budget supervisor of Financial Assets Department from May 2011 to May 2013, a deputy director of Financial Assets Department from May 2013 to January 2018, a deputy director of Financial Department from August 2018 to January 2019, a deputy director of Capital Operation Department from January 2019 to April 2019, a deputy director of Capital Operation Department from April 2019 to January 2022, a director of Corporate Development Department from January 2022 to July 2022, and secretary to the Board since May 2020 at the Parent Company, which is the controlling shareholder of the Company. From May 2014 to January 2019, he served as a director of Non-Ferrous Mining Group Finance Company Limited* (有色礦業集團財務有限公司), a subsidiary of CNMC, and a supervisor since September 2019. From May 2014 to August 2018, he served as a director of Great Yangtze River Environmental Engineering Technology Co., Ltd.* (長江環境工程技術有限責任公司), a subsidiary of the Parent Company. From January 2018 to January 2019, he served as a director of Daye Non-Ferrous Xincheng Copper Co., Ltd.* (大冶有色鑫誠銅業有限公司) and a supervisor of Huangshi Shengxiang Copper Co., Ltd.* (黃石晟祥銅業有限公司) and Xinjiang Huangjin Investment Co., Ltd.* (新疆煌金投資有限公司), which are subsidiaries of the Parent Company. From January 2018 to July 2022, he served as the chairman of the Board of Supervisors of Jiangsu Weixiang Technology Company Limited* (江蘇威翔科技有限公司), a subsidiary of the Parent Company. Mr. Zhang served as a deputy general manager of Daye Non-Ferrous Metals Guangzhou Asset Management Co., Ltd.* (大冶有色金屬廣州資產管理有限公司), a subsidiary of the Parent Company, from January 2019 to April 2019, and an executive director from April 2019 to January 2021. He served as a deputy general manager from January 2019 to April 2019, and director, chairman, general manager from April 2019 to January 2021 at Daye Non-Ferrous Metals Group Investment Co., Ltd.* (大冶有色金屬集團投資有限公司), a subsidiary of the Parent Company. From January 2019 to September 2019, he served as a director of Foshan Dajiang Copper Business Co., Ltd.* (佛山大江銅業有限公司), a subsidiary of the Parent Company. From April 2019 to January 2021, he served as a director of Daye Non-Ferrous Greentown Real Estate Development Co., Ltd.* (大冶有色綠城房地產開發有限公司), a subsidiary of the Parent Company. Since July 2022, he served as a director of Corporate Development Department of the Company. Mr. Zhang 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 62, 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 70, 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 65, 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 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 mine in Qingyaigou (青崖溝), Gansu, PRC and the copper and gold mine 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).

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Chen Zhiyou**, aged 59, has been the vice president of the Company since 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

Xiao Shuxin
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 2022.

Revenue for the year ended 31 December 2022 amounted to approximately RMB33,658,516,000 (2021: RMB35,677,656,000), representing a year-on-year decrease of approximately 5.66%. Loss for the year was approximately RMB6,416,000 (2021: profit of RMB336,576,000), representing a year-on-year decrease of profit of approximately RMB342,992,000. The decrease was primarily attributable to the fact that under the influence of environmental inspections, the subsidiaries of the Company, Fengshan Copper Mine, temporarily suspended production for rectification and low-load production such as Sareke Copper Mine, resulting in a decline in the output of self-owned mines and a decline in profitability.

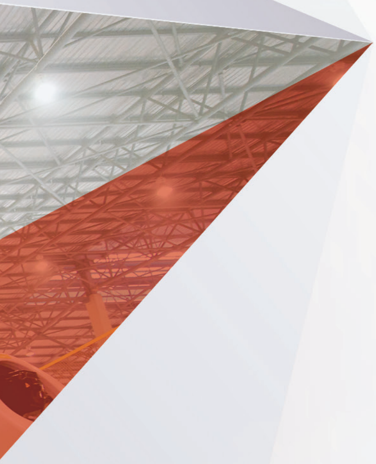
# Chairman's Statement


In 2022, the Group produced a total of approximately 10,700.00 tonnes of mined copper, a decrease of approximately 51.14% over the same period last year; approximately 481,700.00 tonnes of copper cathode, an increase of approximately 0.31% over the same period last year; approximately 633.60 tonnes of precious metals (including approximately 4.43 tonnes of gold, approximately 598.66 tonnes of silver, approximately 15.00 kg of platinum, approximately 120.00 kg of palladium and approximately 30.37 tonnes of tellurium), a decrease of approximately 4.61% over the same period last year; approximately 1,223,300.00 tonnes of chemical products such as sulphuric acid (including approximately 1,216,400.00 tonnes of sulphuric acid, approximately 315.15 tonnes of nickel sulphate, approximately 6,449.10 tonnes of copper sulfate and approximately 126.86 tonnes of crude selenium), an increase of approximately 15.85% over the same period last year; approximately 90,300.00 tonnes of iron concentrate, a decrease of approximately 14.33% over the same period last year; and approximately 0 tonnes of molybdenum concentrate, a decrease of approximately 100% over the same period last year.

## IN SUMMING UP AND LOOKING BACK, WE GAINED A DEEP UNDERSTANDING OF THE WORK ACHIEVED IN THE PAST YEAR

This year, adhering to the development concept of "clear waters and green mountains are as good as mountains of gold and silver", we pushed forward rectification for the Central Environmental Protection Inspectorate aiming at a high standing, high standards and high quality. Fengshan Copper Mine promoted the upgrading and transformation of production wastewater, implemented the warehouse closure project in advance, and discharged wastewater upon advanced treatment, stably reaching the first-class A standard. With improving the process flow and optimizing the production organizational model as the main direction, the smelter implemented whole-process management and control and phenomena such as flue gas escape from the converter were effectively curbed, as a result the average rate of reaching the set targets for waste gas and wastewater was close to 100%. The closure project of Chimashan Mine has been completed ahead of schedule, and all other projects chronologically advanced have been completed. The phased results of the rectification have been fully affirmed by the higher authorities. Keeping a foothold on the new development stage and implementing the new development concept, we organized the compilation of the Company's "14th Five-Year" green development plan and the White Paper on Environmental Protection《環保白皮書》. Insisting on coordinating development and stability, and combining the completion of tasks for stable growth with the promotion of high-quality development, we took development as the top priority, the Annual Task Priorities Report《年度重點工作任務書》as an opportunity, and important "science and technology projects and technological research projects" as the key, sparing no effort in implementing the Company's various tasks and objectives concerning reform and development, and production and operation.

# Chairman's Statement



On 24 August 2019, the 400,000-tonne project was formally approved. In the past three years, we experienced city-wide lockdown due to the COVID-19 pandemic, the failure of picking up equipment arrived at the port, the hardships of eating and living in the factory day and night, and the delay of projects. Yet finally, we were able to allow the smart chemical factory of Hongsheng Copper Industry to rise from the ground. We went through the whole process of the main techniques in only 33 days, creating many "firsts" in the copper smelting industry, such as the shortest time to open the furnace, the fastest increase in production capacity load, the best year-on-year product quality, and the most distinguished green development, thus building a modern green, smart and efficient factory.

In recent years, we have been driven by the two wheels of technology and talents, insisting on strategizing, deploying and promoting the work on technology and talents in the overall enterprise situation of accelerating green and high-quality development, introducing new mechanisms for technological innovation, drawing new plans for human resources, and constructing new patterns of the talent system, so the path for the Company to lead through innovation and to strengthen with talents has become clearer. Focusing on the rectification of safety and environmental protection, the improvement of production technology and the upgrading of technical equipment in mines and smelters, a number of key project technological breakthroughs have been implemented, a joint research team has been formed, a critical issues research program has been formulated, and scientific and technological breakthroughs have been commenced. Efforts have been made to overcome problems that restrict the enterprise in the course of production, construction and development. By comparing results, highlighting difficulties, and proposing measures, we have achieved good effects in key breakthroughs, and have made positive results in terms of technical smelting indicators, digital mine construction, etc. We have vigorously introduced professional talents with an undergraduate degree or above, focusing on smoothing the development channels of talents and fully implementing the "horse racing" type of job competition, company-wide personnel exchange and other mechanisms to gradually improve job and rank promotion, thus the Company's mechanisms for pooling, training, selecting and employing talents has become more scientific, fairer and more effective.

# Chairman's Statement

In the past year, we thoroughly implemented the requirements of the "Year of Strengthening Compliance Management". To address the Company's shortcomings in areas such as basic management and risk prevention, we issued the Compliance Proposal《合規倡議書》, signed the Compliance Commitment《合規承諾書》, formulated the Compliance Management Measures《合規管理辦法》, compiled the Manual for the Integration of Compliance and Internal Risk Control《合規內控風險一體化手冊》, and carried out all-level and all-field business compliance risk and non-compliance investigations to create the Company's Compliance Risk Database and Compliance List《合規風險信息庫及合規清單》and List of Compliance Responsibilities for Key Posts《重點崗位合規職責清單》. At the same time, we continuously improved the safety and environmental protection management system, solidify the core position of financial management and control, constantly standardized corporate sunshine procurement, strengthened the management and control of brand quality, and focused on improving on-site lean management. The foundation for the sustainable and steady development of the enterprise has thus become more solid.

In the past year, we carried out special research on the futures business to systematically study and judge the value preservation work along the upstream and downstream of the copper processing industry chain. We carried out futures trade, strengthened the QP management and control of the prices of imported ore and increased the hedging volume for the average price of spot purchases and sales. We revised and released relevant management systems and improved the organizational system for purchasing copper raw materials to strictly control the admission of suppliers and customers. We continuously established and improved on-site product quality supervision and inspection mechanisms to regularly supervise and inspect the quality of the Company's main products. We carried out special research and on-site office work to solve quality problems in a timely manner. We carried out customer loyalty activities and gathered market feedback to further enhance corporate quality awareness and brand awareness. We promoted "6S+" on-site lean management through independent innovation. By promoting the establishment of benchmark areas and reaching the standards of demonstration areas in a hierarchical manner, we continued on-site supervision and promoted management experience in multiple forms, as a result, the production and office environment has been greatly enhanced, basic management has been continuously strengthened, work efficiency has been improved, and the quality of employees has been constantly improved.

## OBJECTIVE SITUATION ANALYSIS

### FROM THE PERSPECTIVE OF BEING PREPARED FOR DANGER IN TIMES OF PEACE, WE MUST BE FULLY AND MENTALLY PREPARED TO DEAL WITH RISKS AND CHALLENGES

From the macroeconomic point of view, with the Ukrainian crisis abroad having been prolonged and the global trade situation being not optimistic with commodity prices fluctuating at high levels, the world economy may face stagflation. Affected by various factors such as the external environment and the COVID-19 pandemic in China, the foundation for economic recovery is not yet solid, and the triple pressure of demand contraction, supply shocks and weakening expectations is still relatively large. From the perspective of industry development, under the alternate influence of heightened risks of supply concerns and a recession in demand, base metal prices will undergo increasing fluctuations and is expected to experience a more complicated market environment. According to comprehensive research and judgment, copper prices will fall first and then rise throughout the year, showing a trend of high volatility and a downward displacement as a whole. In addition, domestic investment in copper metallurgy has risen again in recent years. With the launch of copper metallurgical projects such as the Tongling 500,000-tonne project, the competition for copper raw materials in the copper metallurgical industry will become more intense, which in turn will have an adverse impact on copper concentrate processing fees. From the perspective of our own situation, there is a lot of key works to be done including coordinating the technical transformation and upgrading of smelters and their production organization, achieving the production and standard targets of Hongsheng Copper Industry as scheduled, and fully completing the planned output of mined copper. In short, the current coexistence of various risks and challenges requires us to effectively increase our awareness of urgency, plan our work more comprehensively, and be fully prepared to deal with it.

## FROM THE PERSPECTIVE THAT IN THE MIDDLE OF CRISIS LIES OPPORTUNITY, WE NEED TO LIFT UP OUR SPIRITS, BOOST OUR MORALE, AND STRENGTHEN OUR CONFIDENCE IN MOVING FORWARD

While seeing the difficulties and challenges clearly, we must also be aware that, at the national level, the central government will successively roll out relevant supporting policies to support the development of the real economy. China's economy has strong resilience, great potential and abundant vitality, and its long-term positive fundamentals remain unchanged. It is necessary to implement a proactive fiscal policy and a prudent monetary policy, which will create a better economic environment for the high-quality development of enterprises. At the industry level, with the rapid development of new energy vehicles and energy storage industries, the demand for items such as copper foil for lithium batteries has expanded rapidly, effectively driving the upstream copper metallurgical industry and the supporting sulfuric acid industry, which will provide a broader room for the market development of main products such as electrolytic copper and sulfuric acid.

## FROM THE PERSPECTIVE OF THE FUTURE ENTERPRISE DEVELOPMENT TREND, WE MUST TAKE A LEAP FORWARD TO COMPREHENSIVELY PROMOTE GREEN AND HIGH-QUALITY CORPORATE DEVELOPMENT

Combining the problems existing in the Company at that time and the situation it was facing, we have put forward the "Five Major Transformations" development concept. Over the past year, taking the study and discussion of "summarizing the past, creating the future, and realizing green and high-quality development" as the starting point, we have broken through our inertial thinking and path dependence. With the hard work of management staff and employees, we have promoted obvious changes in terms of the enterprise's development mode, efficiency and effectiveness, asset quality, management philosophy and ideological outlook, and that the enterprise has gradually embarked on a new path of green and high-quality development. We must plan what kind of development the Company will achieve with a more open mind and a more aggressive attitude. After the political tempering of the Central Environmental Protection Inspectorate and with the profound accumulation of the "four mines and two factories" coupled with the basic support formed by the "Five Major Transformations", the time has come and the momentum has formed to promote the Company to leap forward and develop on the basis of the new starting point. Accelerating the Company's green and high-quality development is the working concept to lay a solid foundation for the Company to establish a framework and accumulate energy in opening the road for take-off in the later period of the "14th Five-Year Plan". This is not only based on the summary of historical experience, but also an analysis of the current situation and expectations for the future. We have every reason to believe that as long as we make sufficient preparations, strengthen our determination and confidence, and take definite practical actions and effective measures to deal with uncertain risks and challenges, we will certainly be able to overcome difficulties, achieve the set goals, and the Company's development path will be become wider and wider.

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.

Chairman of the Board
**Xiao Shuxin**

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB33,658,516,000 (2021: RMB35,677,656,000), representing a decrease of approximately 5.66% from the previous year, attributable to the decrease in the selling price and the slight decrease in the sales volume of the principal products of the Company.

### Cost of sales and services rendered

For the year ended 31 December 2022, the cost of sales and services rendered of the Group amounted to approximately RMB32,492,731,000 (2021: RMB34,407,108,000), representing a decrease of approximately 5.56% from the previous year, which was attributable to the decrease in the purchase price of the principal raw materials the Company and the slight decrease in the sales volume of the principal products of the Company.

### Gross profit

For the year ended 31 December 2022, gross profit decreased by approximately 8.25% to approximately RMB1,165,785,000, compared with approximately RMB1,270,548,000 in the same period of 2021. The decline in gross profit was mainly attributable to the decrease in the output of self-owned mines and the decline in the price of sulfuric acid, resulting in fell in the profitability.

### Other income

Other income for the year ended 31 December 2022 amounted to approximately RMB71,320,000 (2021: RMB66,472,000), representing an increase of approximately 7.29% from the previous year, which was primarily attributable to the increase in receipt of government grants of the year compared with last year.

### Other operating expenses

For the year ended 31 December 2022, other operating expenses increased by approximately 2,072.91% to approximately RMB382,650,000, compared with approximately RMB17,610,000 in the same period of 2021. The increase was primarily due to inclusion of the loss during the shutdown period of the self-owned mines in other operating expenses.

### Other gains and losses

Other gains and losses for the year ended 31 December 2022 amounted to a net loss of approximately RMB66,530,000 (2021: net loss of RMB38,965,000), representing an increase of approximately 70.74% from the previous year. The increase was primarily due to the losses from bankruptcy and liquidation of subsidiaries in the year.

### Income tax expenses

Income tax expense for the year ended 31 December 2022 amounted to approximately RMB69,768,000 (2021: RMB134,942,000), representing a decrease of approximately 48.30% from the previous year, which was primarily due to the decrease in profit for the year compared with the previous year.

### Earnings per share

For the year ended 31 December 2022, basic earnings per share amounted to RMB0.62 fen (2021: RMB1.60 fen).

## MINERAL RESOURCES AND ORE RESERVES

As at 31 December 2022, 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 2022.

### 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 | 1.18% | | 0.71% | | 0.64% | | 0.85% | | 1.21% | 1.16% |
| JORC classification | Indicated | Inferred | Indicated | Inferred | Indicated | Inferred | Indicated | Inferred | Indicated | Inferred |
| Ore quantity (million tonnes) | 11.69 | 19 | 7.49 | 22 | 33.65 | 17 | 0.297 | 0.256 | 1.7697 | 1.6417 |
| Resources metal quantity | | | | | | | | | | |
| Copper (tonnes) | 151,579 | 210,000 | 53,606 | 150,000 | 222,103 | 100,000 | 1,640 | 3,040 | 21,429 | 19,092 |
| Iron (million tonnes) | 2.24 | 3.9 | – | – | – | – | – | – | – | – |
| Molybdenum (tonnes) | – | – | 344 | 2,700 | 3,058 | 3,400 | 2 | 35 | – | – |
| Gold (ounce) | 180,495 | 310,000 | – | – | – | – | – | – | – | – |
| Silver (thousand ounce) | 1,494 | 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 made by the internal experts according to the production consumption and/or new exploration on the basis of historical data.

(3) All resources quantities are estimated based on information as of 31 December 2022 (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 2022.

# Management Discussion and Analysis

## Tonglvshan Project Summary

As at 31 December 2022, 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 | 11.69 | 1.30 | 20 | 6.99 | 0.8 | 6.8 |
| Inferred | 19 | 1.1 | 21 | 13 | 0.8 | 8.3 |
| **Total** | **30.69** | **1.18** | **20** | **19.99** | **0.8** | **7.6** |
| **Reserves (CuEq≥0.79%)** | | | | | | |
| Probable (in mining licence) | 5.81 | 1.31 | 17.5 | 5.81 | 0.5 | 3.3 |
| Probable (in exploration licence) | 2.6 | 1.1 | 15.3 | 2.6 | 0.5 | 6.8 |
| **Total Probable** | **8.41** | **1.24** | **17.0** | **8.41** | **0.5** | **4.1** |

*Note:*

(1) Please refer to the explanatory notes on page 17 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 2022, 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 | 7.49 | 0.72 | 0.004 | 53,606 | 344 |
| Inferred | 22 | 0.7 | 0.012 | 150,000 | 2,700 |
| **Total** | **29.49** | **0.71** | **0.01** | **203,606** | **3,044** |
| **Reserves (CuEq≥0.43%)** | | | | | |
| Probable (in mining license) | 3.99 | 0.70 | 0.003 | | |
| **Total Probable** | **3.99** | **0.70** | **0.003** | | |

*Note:*

(1) Please refer to the explanatory notes on page 17 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 2022, 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 | 1.6 | 0.50 | 0.01 |
| Open cut area | Inferred | 0.1 | 0.3 | 0.014 |
| **CuEq≥0.13%** | **Total** | **1.7** | **0.50** | **0.01** |
| In licence | Indicated | 31.85 | 0.67 | 0.009 |
| Underground area | Inferred | 12 | 0.6 | 0.014 |
| **CuEq≥0.4%** | **Total** | **43.85** | **0.67** | **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 | 33.65 | 0.66 | 0.009 |
| Open cut & underground area | Inferred | 17 | 0.6 | 0.02 |
| **In and out of licence** | **Total** | **50.65** | **0.64** | **0.013** |
| **Reserves** | | | | |
| Open cut area (CuEq≥0.17%) | Probable | 1.1 | 0.31 | 0.011 |
| Underground area (CuEq≥0.50%) | Probable | 13.37 | 0.71 | 0.006 |
| | **Total** | **14.47** | **0.68** | **0.006** |

*Note:*

(1) Please refer to the explanatory notes on page 17 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

# Management Discussion and Analysis

## Sareke Project Summary

As at 31 December 2022, 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 | 1.7697 | 1.211 | 21,429 |
| | Inferred | 1.6417 | 1.163 | 19,092 |
| | **Total** | **3.4114** | **1.188** | **40,521** |

### Minerals reserves summary (JORC Code)

| | Elevation (m) | Probable Tonnage (1,000 tonnes) | Copper (%) | Metal Quantity (tonne) |
|---|---|---|---|---|
| | >=2,900 | 95 | 1.05 | 998 |
| | 2,790~2,900 | 154 | 1.17 | 1,802 |
| **Reserves** | 2,730~2,790 | 200 | 0.96 | 1,920 |
| | 2,670~2,730 | 1,207.1 | 1.33 | 15,994 |
| | <=2,670 | 467 | 1.04 | 4,848 |
| | **Total** | **2,123.1** | **1.20** | **25,562** |

*Note:*

(1) Please refer to the explanatory notes on page 17 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 |
| Iron (RMB/t) | 650 | | | |
| Gold (RMB/g) | 267 | | | 235 |
| 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.

# Management Discussion and Analysis

## 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 2022:

| Mines | Exploration activities | Development activities | Mining production activities |
|---|---|---|---|
| **Tonglvshan Mine** | Horizontal drilling reached 3,778.9m/40 holes, and pit drilling reached 773m/6,029m$^3$. | The total completed drilling volume of middle portion and mining preparations for the development of the -545m to -605m middle portion of Tonglvshan Mine was 11,034m$^3$. | Copper：3,458 tonnes<br>Gold：179 kg<br>Silver：1,311 kg<br>Iron concentrate：90,343 tonnes |
| **Fengshan Mine** | Horizontal drilling reached 3,231m/40 holes, and pit drilling reached 59.3m/605.9m$^3$. | The total completed drilling volume of middle portion for the development of the -440m middle portion of Fengshan Copper Mine was 8,365m$^3$. | Copper：41 tonnes<br>Gold：1 kg<br>Silver：31 kg<br>Molybdenum:：0 tonnes |
| **Tongshankou Mine** | 1. Horizontal drilling reached 8,659.2m/140 holes.<br>2. In-depth explorational drilling reached 669.48m/3 holes. | Tongshankou Mine has been gotten through in 2020. No more drilling is required in 2022. | Copper：4,800 tonnes<br>Silver：1,921 kg |
| **Chimashan Mine** | Exploration work not carried out. | Nil | Nil |
| **Sareke Copper Mine** | Horizontal drilling reached 2,783m | For the Sareke Copper Mine, the total completed drilling volume of the 2,670m middle portion, the 2,730m middle portion, the 2,790m middle portion,was 4,435.65m/50,339.88m$^3$. | Copper：2,411 tonnes<br>Silver：3,754 kg |

## Expenditures incurred

During 2022, we incurred approximately RMB1,233,130,000 (2021: RMB1,492,037,000) on exploration, development and mining production activities, details of which are set out below:

Unit: RMB'000

| Mines | Operating expenses | Capital expenditure | 2022 Total | 2021 Total |
|---|---|---|---|---|
| Tonglvshan Mine | 448,957 | 53,566 | 502,522 | 586,239 |
| Fengshan Mine | 190,566 | 61,692 | 252,258 | 237,289 |
| Tongshankou Mine | 295,209 | 47,354 | 342,563 | 352,649 |
| Chimashan Mine | 7,967 | 0 | 7,967 | 9,047 |
| Sareke Copper Mine | 126,587 | 1,233 | 127,821 | 306,812 |
| Total | 1,069,286 | 163,845 | 1,233,130 | 1,492,037 |

## Exploration, Development and Mining Expenditures

Unit: RMB'000

| | Tonglvshan Mine | Fengshan Mine | Tongshankou Mine | Chimashan Mine | Sareke Copper Mine |
|---|---|---|---|---|---|
| **Exploration activities** | | | | | |
| Drilling and analysis | – | 2,636.42 | – | – | – |
| Others | – | – | – | – | – |
| Sub-total | – | 2,636.42 | – | – | – |
| **Development activities (including mine construction)** | | | | | |
| Purchases of assets and equipment | 26,141.43 | 7,999.66 | 19,563.27 | – | – |
| Civil work for construction of tunnels and roads | 27,424.32 | 51,055.81 | 27,790.65 | – | – |
| Staff cost | – | – | – | – | – |
| Others | – | – | – | – | – |
| Sub-total | 53,565.75 | 59,055.47 | 47,353.93 | – | – |
| **Mining activities (including ore processing)** | | | | | |
| Auxiliary materials | 31,777.36 | 322.73 | 31,269.01 | – | 13,685.72 |
| Power supply | 24,370.66 | 160.65 | 31,851.32 | – | 5,512.59 |
| Staff cost | 153,920.02 | 81,724.51 | 77,782.61 | 3,760.58 | 16,816.04 |
| Depreciation | 120,472.50 | 28,221.64 | 73,181.27 | – | 35,431.78 |
| Taxes and resource compensation | 16,098.52 | 1,364.42 | 17,046.16 | 617.26 | 2,588.20 |
| Sub-contracting service | 9,462.52 | 1,790.50 | 8,027.80 | – | 11,613.43 |
| Others (administrative fees, selling expenses, non-operating expenditures) | 92,854.92 | 76,981.35 | 56,051.06 | 3,589.30 | 42,172.80 |
| Sub-total | 448,956.50 | 190,565.79 | 295,209.24 | 7,967.15 | 127,820.57 |
| Total | 502,522.25 | 252,257.67 | 342,563.16 | 7,967.15 | 127,820.57 |

# Management Discussion and Analysis

## Infrastructure projects, subcontracting arrangements and purchases of equipment

During 2022, 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 | 27,424.32 | 9,462.52 | 26,141.43 | 63,028.27 |
| Fengshan Mine | 51,055.81 | 1,790.50 | 7,999.66 | 60,845.97 |
| Tongshankou Mine | 27,790.65 | 8,027.80 | 19,563.27 | 55,381.72 |
| Chimashan Mine | – | – | – | – |
| Sareke Copper Mine | – | 11,613.43 | – | 11,613.43 |
| Total | 106,270.78 | 30,894.25 | 53,704.36 | 190,869.39 |

## OPERATING OBJECTIVES AND STRATEGIES IN 2023

The production volume targets of the Group for 2023 include producing 21,400.00 tonnes of mined coppers, 713,000.00 tonnes of copper cathode, 7.21 tonnes of gold, 687.00 tonnes of silver, 2,072,000.00 tonnes of sulphuric acid, 167,000.00 tonnes of iron concentrate, 16.50 kg of platinum, 257.30 kg of palladium, 253.00 tonnes of nickel sulfate (containing metal), 233.30 tonnes of crude selenium, 28.20 tonnes of tellurium, 6,590.00 tonnes of copper sulfate and 43.00 tonnes of molybdenum concentrate.

The Group would satisfactorily fulfill all objectives including the following:

### Maintain concentration and accurately grasp the direction to ensure that the enterprise is always on the right path

We will unswervingly stick to the direction of green and high-quality development, focus on the building of digital mines and smart factories, and continue to excel in the construction of ERP information systems to foster the Company to become an important force in implementing new development concepts and establishing new development patterns so that the Company will always move forward along the correct course.

### Seize the key, capture talents, and pool powerful forces for leapfrog development

For the enterprise, talents are the core element and the key for us to promote enterprise development and win the initiative in market competition. Firmly upholding the concept of "talent is the first resource", we always adhere to the key to building a high-quality talent team, enriching the methods of attracting and training talents as well as strictly enforcing the standards for selecting and employing talents, and innovating to gather and stimulate all kinds of talents. Firstly, we will strengthen the building of the leadership team, highlight strategic guidance, make overall planning and arrangement, scientifically and rationally select management personnel of various professions and ages, and timely re-employ enterprise leaders who are brave in taking responsibility, good at deeds, and outstanding in performance. Secondly, we will innovate the talent introduction and training mechanism, continuously increase efforts on introducing mid-to-high-end talents, and focus on giving full play to the advantages of the talents introduced in terms of thinking horizon, professional ability, management concept, market resources, etc. We will broaden the selection channels for management personnel, and strengthen the recommendation, inspection and use of outstanding young management personnel. We will further deepen strategic cooperation with colleges and universities to promote the joint training of high-tech talents. Thirdly, we will stimulate the vitality of talents to create and innovate. On the basis of the current job and rank evaluation, promotion and demotion, we will further improve the talent appraisal system so as to make it clearer that it is oriented toward actual performance and hard work. We will actively and steadily implement various medium and long-term incentive mechanisms, so as to make better use of the baton role of assessment, and lay a solid foundation for the Company to promote a wider and deeper medium and long-term incentive mechanism going forward. Fourthly, we will create a strong atmosphere of caring and respecting talents. We will further establish the Company's clear orientation of paying attention to and longing for talents, and the Company will also increase positive incentives for all kinds of talents in material and spiritual terms, so that those who have the intention, ability and track record will have the courage, motivation and incentive to perform, thus converging into pools, condensing into momentum, and promoting the prosperity of Company with the thriving of talents.

# Management Discussion and Analysis

## Develop strengths, make up for weaknesses and master management to constantly lay a solid foundation for enterprise development

Taking into account the feedback from environmental protection inspectors and superior inspections in recent years, we must correctly understand the problems existing in the Company, and effectively enhance the sense of urgency and initiative to master management. We need to fully implement the Group's work plan for building a world-class enterprise, continue to carry out special actions to improve basic management at the primary level, and constantly check loopholes, make up for shortcomings and strengthen weaknesses with rectification and other means as the specific starting point to promote the continuous improvement of the enterprise management system. We need to strengthen the integrated construction of compliance and internal risk control, continue to consolidate the achievements of establishing the Year of Strengthening Compliance management, comprehensively promote compliance management, and enhance the pertinence, immediacy and effectiveness of internal control management, to continuously improve the enterprise's operation and management levels in terms of legal and compliance. We need to further strengthen financial management, and continue to promote the integration of business and finance with focus on budgeting and cost control to improve the ability of lean financial management and control. We will refine and improve cost budget control standards and responsibilities to keep cost and expenses in strict control. We need to strictly control safety and environmental protection risks, integrate safety and environmental protection into the whole process of reform and development, improve the safety and environmental protection management system, put into practice safety and environmental protection responsibilities among all employees, and strengthen intelligent safety and environmental protection construction and operation to continuously improve the level of intrinsic safety and intrinsic environmental protection.

## Lead by innovation with focus on science and technology to fully stimulate the endogenous motivation of the enterprise

Capturing innovation is capturing development, and seeking innovation is seeking the future. We must adhere to the use of science and technology throughout the Company to strengthen new growth drivers and enhance the driving force in order to promote the "comprehensive breakthrough" in green and high-quality development with the "first breakthrough" in technological innovation. Firstly, we need to improve the scientific and technological innovation system, conscientiously implement the spirit of the Company's scientific and technological conference, and promptly promote the revision of the scientific and technological system, the construction of scientific research platforms, the training of scientific and technological talents, the transformation of scientific research achievements and other work, so as to constantly improve and perfect the Company's scientific and technological innovation system. Secondly, we need to vigorously carry out breakthroughs in scientific research and technology, keep an eye on critical core technical issues and technical bottlenecks that restrict quality and efficiency improvement, and make good use of resource platforms such as nationally accredited laboratories through incentive and restraint mechanisms to vigorously promote research on new technologies and new processes, thus boosting the enterprise's high-quality development with breakthroughs in key technologies. Thirdly, we need to increase the industrial application of our scientific and technological achievements. For an achievement that can be directly transformed on the spot, it should be promoted and applied in a timely manner to create benefits. For an achievement with promotional value that need to be tested and developed, a special project for transformation of the achievement or for investment in the technological transformation should be established to promote transformation and create benefits.

## Create a good atmosphere for founding and doing businesses with unremitting efforts and a strict working style

The specific actions to promote enterprise development will be reflected in the actual effect of performing duties responsibly and doing the jobs well. We will lead management personnel and employees to participate in specific practices for the green and high-quality development of the enterprise. We need to carry forward the fine tradition of hard work, and in the face of the Company's current arduous tasks in environmental protection rectification, reform intensification, technological innovation, and talent building, we will improve our fighting skills in coping with major challenges, resisting major risks and overcoming major obstacles, continuously creating a new situation for corporate reform and development.

## Actively and steadily promote carbon peaking

We will fully implement the carbon peaking action plan, establish energy-saving and carbon-reduction organizations and institutions, concentrate effort on carbon reduction, pollution reduction, green expansion and growth, and focus on the implementation of major projects such as the upgrading and transformation of energy conservation. We need to focus on key technical indicators such as energy consumption, carbon reduction and pollution reduction, and benchmark those of the top class in the industry, so as to promote the Company's green, low-carbon and high-quality development.

## Make every effort to promote stable production, increase production, improve quality and enhance efficiency

"Development without benefit is no development of high quality". The Company will be required to, with focus on improving operational quality and operational efficiency, maintain operation through stable production, tap potential and reduce costs by benchmarking, and strive to improve extraction rate, recovery rate, operation rate and load rate to ensure stable production and an increase in production.

**Hongsheng Copper Industry** will be required to, with the aim of building a "green, smart and efficient" benchmark factory, make further efforts in areas including cost, effectiveness, efficiency and environmental protection, in benchmarking the world's advanced enterprises and creating an industry benchmark so as to ensure that it will reach production in the second quarter ahead of schedule, and achieve the production and standard targets by the end of the year, thus contributing to the Company's annual production and business plan with practical actions.

The **smelters** will be required to make every effort to advance the smelting environmental protection upgrade and system transformation projects so as to ensure that the projects are smoothly completed and put into production, and that the production and standard targets are achieved.

For **mines**, we will be required to give full play to the advantages of mechanization and digitalization centering on "full load, high efficiency, safety and environmental protection" to realize production safety under full load, striving to attain the most remarkable level. At the same time, we will be required to **strengthen the acquisition of resources**. On the one hand, we will **tap the potential inward**, vigorously carrying out the production and prospecting of self-owned mines to strengthen the secondary delineation of ore bodies. We will concentrate effort on marginal and in-depth ore prospecting and exploitation with focus on supplementary in-depth exploitation of Fengshan Copper Mine Line 7-17 and peripheral prospecting and exploitation of the detailed investigation area of Sareke Copper Mine so as to extend the length of service of mines. On the other hand, **looking outward**, we will strengthen cooperation with the government in the Huangshi region to explore venture prospecting opportunities. We will utilize the platform of overseas engineering technology companies to focus on the preliminary preparations for the development of overseas resources. The departments for raw materials supply and production scheduling will be required to make reasonable arrangement for the ordering, shipment, and arrival time of imported ores, as well as the distribution of ore volumes between the "two smelters" and the balance of entries into the factory. We will be required to do a good job in the supply of anode plates for Hongsheng Copper Industry and smelters, and break down and refine the procurement plan taking into account the market, to ensure that the marketing goals of rare and precious products such as gold and silver are achieved. We will be required to actively explore the market and work earnestly for the sales of sulfuric acid.

# Management Discussion and Analysis

### Strengthen scientific and technological breakthroughs

With focus on projects such as "Critical Technological Breakthroughs in the Production of Oxygen-enriched and High-grade Matte in the Ausmelt Furnace", the **smelters** will be required to step up investment in technical personnel, resource equipment and scientific research funds, striving to achieve as soon as possible greater breakthroughs in indicators such as the comprehensive energy consumption of the Ausmelt furnace's smelting system and the SO2 conversion rate of its sulfuric acid system. **Tonglvshan Mine** and **Fengshan Copper Mine** will be required to speed up the upgrading and transformation of the paste filling system, the optimization and application of mining methods, etc., and intensely carry out industrial testing of the full tailings paste filling process, the mechanized, safe and efficient panel mining technology and other applications, striving to realize the on-site industrial application of the above technical achievements as quickly as possible. **Tongshankou Mine** will be required to promptly promote the rectification of on-site techniques and processes and the industrial testing of applications of critical research results centering on the goal of "increasing the copper sorting recovery rate by more than 2.5 percentage points" so as to realize the transformation of breakthrough results and create benefits as early as possible.

## EQUITY

The Company's issued and fully paid share capital as at 31 December 2022 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 2022, the Group's receipts and payments were mainly denominated in RMB.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had pledged deposits, and cash and bank balances of approximately RMB844,040,000 (2021: RMB814,997,000), the majority of which were denominated in Renminbi. The Group's current ratio was approximately 1.02 (2021: 1.09), based on current assets of approximately RMB12,242,067,000 (2021: RMB7,681,773,000) divided by current liabilities of approximately RMB11,948,176,000 (2021: RMB7,038,537,000). The Group's gearing ratio as at 31 December 2022 was approximately 395.17% (2021: 286.97%), based on net debts (which included bank and other borrowings, lease liabilities and promissory note less pledged deposits, and cash and bank balances) of approximately RMB12,238,833,000 (2021: RMB8,570,311,000) divided by equity attributable to owners of the Company of approximately RMB3,097,093,000 (2021: RMB2,986,511,000). The increase in gearing ratio was attributable to the increase in net debts and the effect of the profit for the year.

As at 31 December 2022, the Group had sufficient funding to pay off all its outstanding liabilities and meet its working capital requirement.

## BORROWINGS

As at 31 December 2022, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB12,948,226,000 (2021: RMB9,247,453,0000).

As at 31 December 2022, the Group had bank and other borrowings of approximately RMB6,695,567,000 (2021: RMB2,999,443,000) and approximately RMB5,114,459,000 (2021: RMB5,152,158,000) which was due within one year and after one year respectively. The majority of the Group's bank and other borrowings were denominated in Renminbi. The majority of the Group's bank and other borrowings were at fixed interest rate.

## FOREIGN EXCHANGE RISK

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

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

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

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

## PERFORMANCE AND PROSPECTS OF KEY INVESTMENT

The core and the source of growth of the Company's future business lie in the fields such as the development of non-ferrous metal mineral resources, the smelting of non-ferrous metal, and the research and development of precious metal materials. The Company's project on the clean production of 400,000 tonnes of high-purity copper cathodes has been successfully completed and put into production, representing a solid step towards its goal. Going forward, the Company will continue to adhere to the strategy of "developing mines and consolidating smelting". On the current basis of "mining and smelting as the principal business featuring comprehensive complementarity", the Company will improve its competitive copper cathode production capacity, carry out overall transformation and upgrading of the existing outdated smelting system, optimise economic indicators of technology, reduce production costs, and improve production environment to enhance operational efficiency and benefits. The Company will promote the expansion and upgrading of the rare and precious metal system and the extension of the rare and precious metal industry chain to improve the smelting equipment level and profitability in an all-round way.

Save as disclosed above, the Group did not make any other significant investment during the year ended 31 December 2022.

## FUTURE SIGNIFICANT INVESTMENT PLANS FOR THE SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES OF THE GROUP

2023 is a key year for the Company's 14th Five-Year Plan. In accordance with the principle of "focus on the industry, commitment to the principal business and dedication to expertise", the Company will mainly make arrangements for the implementation of key projects in the Company's "14th Five-Year Plan", rectification projects of the Central Environmental Protection Inspectorate as well as energy conservation, safety, and technological innovation projects. The Company plans to invest RMB1,356.48 million in fixed assets in 2023.

## PROSPECTS OF THE COMPANY

During the 14th Five-Year Plan period, the Group will highlight and develop a grasp of industrial optimisation, adjustment and upgrading. Under the new development pattern in which the domestic cycle is the mainstay and the domestic and international cycles reinforce each other, the Group will deepen the supply-side structural reform, focus on the main responsibility and main business to develop the concrete economy, and continue to promote downsizing and Company's health and improve quality and efficiency around the corporate strategy of the Group and the implementation of the Company's three major tasks to adjust and optimise the industrial layout and structure. Strive to be a specialised mining company, the Group will promote the optimisation and upgrading of the smelting industry chain, improve and solidify the trade business segment, completely withdraw from non-principal business, establish an industrial coordinated development mechanism, improve the efficiency of resource allocation, and improve the level of modernisation of the industrial chain and supply chain to continuously enhance the vitality and profitability of the enterprise. A major breakthrough was made in the development of non-ferrous metal resources in domestic and oversea markets, striving to achieve a controlled volume of 3 million tonnes of copper resources, 40,000 tonnes of copper output from self-owned mines, 1 million tonnes of copper cathodes, 12 tonnes of gold, 850 tonnes of silver, 2.45 million tonnes of sulfuric acid and over. The Group will strive to become a major domestic copper producer and copper raw materials supplier, and make significant progress in business such as the comprehensive development of rare and precious metals, initially achieving the goal of building a modern copper enterprise.

## CHARGES ON ASSETS

As at 31 December 2022, other deposits which amounted to approximately RMB687,156,000 (2021: RMB299,096,000) 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 RMB24,000,000 (2021: RMB195,000).

## CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no contingent liabilities.

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 2022.

## 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 7 to 11 and pages 12 to 26 respectively of this annual report.

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:

| | **2022** | 2021 |
|---|---|---|
| Gross Profit Margin | **3.46%** | 3.56% |
| Debt to Assets Ratio | **81.60%** | 75.74% |
| Current Ratio | **1.02** | 1.09 |
| Assets Turnover Ratio | **1.67** | 2.23 |

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

In 2022, the Company firmly established the concept of safety and environmental protection as "1", and closely focused on the core task of "adhering to green guidance, strengthening the problem-oriented principal, implementing inspection and rectification, and promoting the green and high-quality development of the Company". The level of environmental protection management has been steadily improved, and the overall situation has further stabilized and improved, through the implementation of inspection and rectification measures, improvement of institutional mechanisms and prevention of environmental risks.

### (1) Summary of environmental protection work in 2022

The environmental protection work has been achieved "one guarantee, three decreases": In order to ensure that the stage node tasks of the central ecological environmental protection inspection and rectification could be completed on time, 26 inspection and rectification measures have been implemented as of 31 December 2022, with a rectification completion rate of 76.47%. In 2022, the Company was imposed one administrative penalty in respect of environmental protection, representing a decrease of seven cases or 87.5% from 2021. Emissions of major pollutants were significantly reduced, among which the emissions of sulfur dioxide, nitrogen oxide, COD and ammonia nitrogen were 197.05 tonnes, 108.64 tonnes, 74.75 tonnes and 3.47 tonnes respectively, representing a decrease of 35.14%, 49.65%, 35.24% and 57.76% respectively. In 2022, 16 sets of on-line monitoring equipment of the Company exceeded the standard 62 times in respect of the hourly average, representing a decrease of 1,112 times or 94.7% from 2021.

### (2) Completion of rectification on environmental protection inspection issues

After a hard struggle in 2022, all units and departments made every effort to promote the progress of rectification with the determined attitude of not giving up until victory, and with the goal of "deplete all if they should" (應銷盡銷). **Firstly, solidly promoting the inspection and rectification of environmental protection**. With the mission of rectification and improvement, Fengshan Copper Mine promoted the rectification and closure works of the tailings pond and completed the administrative approval procedures for the tailings pond closure project ahead of schedule. The tailings pond has been closed and entered the construction phase. Smelters promoted high-quality rectification and implemented the sewage outlet control system, especially the exceeding of hourly emission standard of the sulfur dioxide has been virtually eliminated since the second half of the year. Chimashan Mine overcame the impact of surrounding environmental factors to ensure the progress of the emergency disposal works and gained time for the later ecological restoration works. Tongshankou Mine made fundamental changes to its production site by combining "6S+" with the environmental protection inspection and rectification. **Secondly, resolutely rectifying issues put forward in the complaints**. Adhering to the principle of "in-depth investigation and determined rectification", we visited villages and households, investigated and verified the problems raised by the masses one by one, and rectified the issues reflected in 9 complains, and the results of rectification were recognized by the masses. The remaining 7 complaints (3 issues) were wastewater and waste gas from smelters and the ecological restoration of 3.12 collapse incident of tailings pond in Tonglvshan Mine. Various rectification measures were being accelerated. **Thirdly, responding to environmental inspections at all levels. In 2022**, more than 70 inspections and on-site inspections were carried out by South China Inspection Bureau (華南督察局), North China Inspection Bureau (華北督察局) and State-owned Assets Supervision and Administration Commission of the State Council, and the results of the rectification were fully recognized by the management departments at all levels. **Fourthly, facilitating the completion of rectification and acceptance**. The Safety and Environment Department, Planning and Development Department, Mining Technology Department, Party and Mass Department and other departments and units of the Company took the initiative to establish management measures for the end of rectification, formulate acceptance management plans, and set up a designated team for review work. The inspection group participated in the whole process and gave guidance, and completed the acceptance of 23 rectification measures, reaching the acceptance of 80% of the completed measures required by the Company.

## COMPLIANCE WITH LAWS AND REGULATIONS

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 Yangtze River Protection Law of the PRC (《中華人民共和國長江保護法》), the PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), 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》), the PRC Law on the Environmental Impact Assessment (《中華人民共和國環境影響評價法》) and the Emission Standards for Industrial Pollutants of Copper, Nickel and Cobalt (《銅、鎳、鈷工業污染物排放標準》). In order to strengthen the management of online monitoring equipment and facilities, the Group **established a long-term control mechanism for environmental monitoring** and launched training on the operation and maintenance of automatic monitoring facilities for pollution sources to effectively enhance the awareness of online monitoring equipment and facilities and the ability of management staff at all levels to solve problems. The Group issued the "Rules for the Standardized Management and Assessment of Sewage Outlets (Trial)" (《排污口規範化管理與考核細則(試行)》) to regularly assess the standardized management of sewage outlets.

In 2022, the Group aimed to effectively enhance compliance with laws and regulations. **Firstly, it implemented the environmental impact assessment system**. The Group comprehensively promoted the environmental impact assessment of construction projects and the environmental acceptance of completed projects, completed the environmental impact assessment of 10 projects (including the rain and sewage diversion of smelters) and the environmental acceptance of 4 completed projects (including the tailings pond closure project of Chimashan Mine). Yangxin Hongsheng Copper Industry obtained a pollution discharge permit. **Secondly, it actively carried out clean production appraisal**. The Group promoted the integration of economic benefits and environmental benefits, and achieved "energy saving, consumption reduction, pollution reduction and efficiency increase". Smelters, Tonglvshan Mine and Tongshankou Mine completed the third-round appraisal on clean production this year. **Thirdly, the water resources appraisal was carried out**. The "Appraisal Report on drainage volume of Tailings Pond of Fengshan Copper Mine" (《豐山銅礦尾礦庫排水總量論證報告》) was compiled to calculate the drainage volume during the closure period and after the resumption of production; it took the initiative to liaise with the Yangtze River Authority (長江流域管理局) to initiate the appraisal on sewage outlets. **Fourthly, we passed the certification renewal approval of the Environmental Management System (環境管理體系)**. The Company organized an internal system audit in October 2022 and identified a total of 5 general non-conformities and 20 problems, and completed the corresponding rectification and feedback. In November 2022, Hubei Evaluation Center of China Quality Certification Centre conducted a re-certification audit on the environmental management system of the Company. One minor non-conformity and 15 improvement items were found, which are being rectified.

## THE RECTIFICATION PROGRESS OF ISSUES RAISED BY THE CENTRAL ENVIRONMENTAL PROTECTION INSPECTORATE

As of 31 December 2022, 26 of the 34 rectification measures led by the Company have been completed. The typical cases of serious environmental pollution involved 24 rectification measures, 18 of which have been completed so far, with new completed rectification being the post-regularization management of the tailings ponds in Fengshan Copper Mine. Among the rectification measures for the typical cases, 8 involved the tailings pond in Fengshan Copper Mine, with 7 being completed; 5 involved Chimashan Copper Mine, with 4 being completed; 11 involved smelters, with 7 being completed.

## (1) The rectification progress of the typical cases

### *1. The rectification progress of the tailings ponds in Fengshan Copper Mine*

There are 8 rectification measures involved, with 7 being completed, and the current progress of the remaining measure not yet completed is set out as below:

Tailings ponds in Fengshan have been closed, and all pre-work procedures have been completed. Preparations are under way for the first phase of the project construction, which will reverse the coarse-grained tailings in front of the dam to the drainage well to create conditions for vacuum drainage consolidation.

On 21 October, "the approval by the Company on the construction and filing of the tailings pond closure project in Fengshan Copper Mine" was obtained, and the closure project officially began construction on 23 October. The progress of the project is as follows:

① Reclamation: 260,000m3 of reclamation and 1,300,000m/80,000m2 of inserts in total;

② In the re-exploration of the middle area among Area D, Area E and pulping tank, field investigation has been completed and the data is being handled;

③ A total of approximately 8,000m2 of geotextiles and sealing membranes are laid around the pond;

④ Dam slope works: excavation of drainage trench at level 17 completed 750m with cushion formwork construction completed 700m; excavation of drainage trench at level 16 completed 750m with cushion formwork construction completed 700m; excavation of drainage trench at level 15 completed 700m with cushion formwork construction completed 700m; excavation of drainage trench at level 14 completed 700m with cushion formwork construction completed 150m;

⑤ The stones from the drainage trench of the dam slope of the sub-dams at level 17 and 16 are transferred to the sub-dam at level 19 (piled up to the beach face for backup);

⑥ Tunnel project: the construction plan has been evaluated and submitted to the Safety and Environment Department of the Company, and reported to the County Emergency Management Bureau for filing. Blasting procedures are underway and site preparation work such as pre-protective fencing is progressing in an orderly manner.

### *2. The rectification progress of the tailings ponds in Chimashan Copper Mine*

There are 5 rectification measures involved, 4 of which have been completed.

The remaining measure that has not been completed is the ecological restoration of the mining area. The ecological restoration project was approved by environmental assessment on 3 November 2022, and the construction company commenced the work on 9 November 2022. Up to now, the restoration and treatment projects of four sub-areas, namely office equipment storage and management area, ore processing plant and facilities demolition and management area, No. 2 collapse pit control area and the leveling area in front of adit, have been basically completed. The leveling area has been accumulated to 30,144.4m2, and the completed square is 76,537.4m3.

*3. The rectification progress of the smelters*

There are 11 rectification measures involved, with 7 being completed, and the current progress of the remaining 4 measures not yet completed is set out as below:

**First, the rain and sewage diversion work in plants**

*(1) Formalities*

① Safety assessment: according to the "Three-simultaneity" Supervision and Management Measures for Safety Facilities of Construction Projects (2015)(《建設項目安全設施"三同時"監督管理辦法》(二零一五年)), the project should conduct a comprehensive analysis of its safe production conditions and facilities and prepare a written report for inspection. The safety evaluation document of the project was completed and assessed by experts in September 2022.

② Environmental impact assessment: the environmental impact assessment report of the project has been approved by the Bureau of Ecology and Environment of Xialu District on 24 June 2022.

③ Planning permit: The project has been issued planning permit from the Xialu Branch of the Huangshi Natural Resources Planning Bureau on 14 June.

④ Construction permit: The permit was obtained on 18 November.

*(2) Progress of the project*

① The EPC project of rain and sewage diversion and drainage upgrade of smelters was completed with the tender opening and evaluation of the general contracting on 12 May 2022. The general contract was signed on 6 July, and the project started on 13 May. There are a total of 18 project design sub-projects, including 12 new sub-projects, 5 original pool repair and equipment installation sub-projects, and 1 equipment installation sub-projects in original central control room.

② The preliminary design was completed in June 2022 and the construction drawings were completed with the key sub-design completed in August 2022, and the full version of the construction drawings were completed in October.

③ Tenders for the procurement of equipment were completed in August and September 2022 respectively according to the overall project schedule. So far, all equipment has been delivered, except for the DCS and instrument, and has been installed. The main equipment, such as the integrated processing equipment, filter press and power transformation and distribution, is ready for individual commissioning and will be ready for commissioning once the integrated network and external power supply are connected.

④ The civil works have been completed for 9 sub-projects: primary rainwater tank of the second area in the west, primary rainwater tank in the north, rainwater treatment station, production wastewater treatment station, liquid decalcification softening after waste acid treatment, sulfuric acid purification sewage collection tank, converter accident tank, pipe network sewage tank, master plan ditch (except that the northern and central roads need to be docked with the design company and improved after the shutdown);

⑤ There are 3 sub-projects under construction: interception ditch and retaining wall (80% of the sub-project contract work completed), integrated pipe network (95% of the sub-project contract work completed) and external power supply (75% of the sub-project contract work completed).

⑥ At present, 90% of the overall progress of EPC project of rain and sewage diversion and drainage upgrade of smelters has been completed, and 6 not-yet-starting sub-projects that fully utilized old machines can only commence after the smelters are closed for significant repair.

Second, source control, environmental upgrading and production system improvement project (comprising 3 rectification measures)

*(1) Formalities*

According to the plan, the project will be implemented in two phases, with the first phase consisting of thermal system modification and environmental FGD (flue gas desulfurization) system modification and the second phase consisting of the sulfuric acid system modification.

① Safety assessment: according to the "Three-simultaneity" Supervision and Management Measures for Safety Facilities of Construction Projects (2015), the project should conduct a comprehensive analysis of its safe production conditions and facilities and prepare a written report for inspection. At present, safety evaluation documents on both phases of the project have been prepared and filed.

② Environmental impact assessment: the environmental impact assessment report of the first phase of the project has been approved by the Bureau of Ecology and Environment of Xialu District on 1 November 2022, and the environmental impact assessment report of the second phase will be prepared and approved by early March 2023 as schedule.

③ Energy assessment: based on the final feasibility study report of the project in early September 2022, the energy assessment documents on the first and second phase of the project were completed in September and October 2022 respectively, and submitted to the Development and Reform Commission of Xialu District. The project has been issued the investment permit (投資備案證) and the energy assessment of the project has been completed.

④ Planning and construction permit: the construction permit for the converter workshop modification project and the planning and design of the concentrate storage expansion are currently being processed. The construction permit for the converter workshop modification project has been completed with planning permit and plan review, and the construction permit was obtained on 18 November 2022. As for the planning and design for the expansion of the concentrate storage, a contract has been signed with Huangshi Planning and Design Institute (黃石規劃設計院) and will be submitted for planning permit once the design blueprint is finalized.

## (2) Progress of the project

① The project was approved on 17 August 2022. The feasibility study report on the project was finalized on 2 September 2022. The turnkey contract for the environmental improvement portion of the project was signed on 13 October 2022.

② The converter workshop modification of the project was taken by China Construction Sixth Engineering Bureau. The structural inspection and design of the workshop was completed in May 2022. In June 2022, discussions and negotiations on the reinforcement and heightening of the main workshop of the converter were initiated and the preliminary construction plan was confirmed. Preparatory work for the reinforcement (clearing of obstructions in the vicinity of the columns to ensure adequate working space) began in October 2022. On 15 November 2022, the plan review for the modification of the converter workshop was completed. We started the first batch of column reinforcement construction on 30 November and have now completed welding in the reinforcement of 20 columns below 5 meters in the north.

③ The preliminary design of the dust collection and desulfurization system (環集收塵與脱硫系統) has been completed and the turnkey company has been listed on the E-Commerce platform of China Minmetals Corporation on 17 November 2022 and is in the process of finalizing the tender.

④ The smelting raw material area renovation (concentrate storage expansion) project was put out to tender on 11 November 2022 and the contract process was completed on 19 December and parties involved are going to sign contract. The design company has now produced some of the electronic drawings for the construction and has already started the preparation for the construction (demolition and other works will start gradually). Tenders for the main equipment (measuring belt/belt conveyor/soot granulation system, etc.) were put out and opened on 10 January 2023. Tenders for the main equipment for the pulverized coal preparation project in the raw material area were put out and opened on 8 January 2023.

⑤ Single equipment of dry suction process in acid making area renovation project: the contract for the wire mesh of the drying tower and the secondary suction tower defoamer was signed on 22 November 2022. The tender for the acid separator of the drying tower has been opened on 20 December 2022. The first suction tower defoamer was put out to tender on 15 December 2022. The finished acid cooler was put out to tender on 13 December 2022. The acid cooler for the intermediate suction tower was put out to tender on 28 December 2022. Conversion process: the medium temperature vanadium catalyst was put out to tender on 22 December 2022.

Save as disclosed above, there was no material non-compliance with environmental laws and regulations in 2022.

### *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》, and the Prevention and Control of Occupational Diseases Law of the PRC《中華人民共和國職業病防治法》. There was no material safety production accident of the Group in 2021.

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.

## THE PRINCIPAL RISKS AND UNCERTAINTIES

### (I) Strategic risks

#### *1. Macroeconomic risk*

**Risk description:** In 2023, China's economy will still face many risks and challenges, and changes in domestic and foreign macroeconomic environment will have a direct or indirect impact on the development of enterprises.

**Reason analysis:** Internationally, the crisis in Ukraine is lasting and extending, the global trade situation is not optimistic, the commodity price fluctuates at a high level, food and energy security issues are prominent, and the world economy may be facing stagflation. Domestically, the foundation of China's economic recovery is not yet solid, and the triple pressures of demand contraction, supply shocks and weakening expectations are still relatively strong, increasing the economic and social risks. The risk of the domestic and international macroeconomic situation adversely affecting the achievement of the Company's business objectives has increased.

**Responses:** Firstly, we will thoroughly implement the new development philosophy, further emancipate minds, and consolidate and deepen the achievements of the three-year action. Secondly, we will focus on the strategic layout and major business segments to further optimize our business structure, insist on innovation, strengthen technological research and development, and enhance the Company's competitive advantage. Thirdly, we will consolidate our existing traditional business, grasp the market opportunities in key regions and promote the structural and synergistic development of our business.

#### *2. International operation risks – Sino-US trade friction risk*

**Risk description:** The risk of Sino-US strategic game increases, the uncertainty of trade frictions is high, and trade with sensitive countries is at risk. Copper concentrate or blister copper imported by the Company in the United States may be subject to tariffs.

**Reason analysis:** The risk of economic volatility is likely to be exacerbated by political and economic games among superpowers as well as the changes in political situation and geopolitics in the US.

**Responses:** Restrictions on shipments of US ores are added to the contract, and shipments could only be made after the buyer confirms the tariff exemption.

### 3. *International operation risks – foreign exchange risk*

**Risk description:** The less-than-expected domestic economy recovery, the global recession, the escalation of the Russia-Ukraine conflict and geopolitical risks have exacerbated the volatility of the foreign exchange market, affecting the Company's foreign exchange payments for imports and foreign currency financing costs.

**Reason analysis:** The Company mainly relies on imported raw materials for its production. After the 400,000-tonne project was put into operation, the scale of imported raw materials has been tripled, leading to a substantial increase in the settlement of foreign exchange payments and a rise in the supporting margin financing and hedging position. As a unilateral-oriented import processing enterprise, the market situation of depreciation results in the loss of import balance exposure, and exchange rate fluctuations also increase the uncertainty of foreign currency financing costs.

**Responses:** The first is to establish a long-term mechanism for risk prevention and control of monetary financial derivatives business, improve the Operation Manual for Monetary Derivatives Business (貨幣類衍生業務操作手冊), formulate the 2023 Annual Operation Plan for Corporate Monetary Financial Derivatives Business (公司貨幣類金融衍生業務2023年度操作計劃), and implement risk supervision on Yangxin Hongsheng's engagement in monetary financial derivatives business in accordance with the Implementation Rules for Monetary Financial Derivatives Business (貨幣類金融衍生業務實施細則). The second is to continue to run the working mechanism of regular meetings of the foreign exchange risk control team, regularly balance the demand for foreign exchange funds, collect foreign exchange market information, analyze and research exchange rate trends and formulate strategies for foreign exchange payments and foreign currency financing; adhere to the principle of exchange rate risk neutralization, consider the foreign currency financing according to the corresponding value preservation cost, and carry out the foreign currency financing and RMB financing on merit after comparing their costs; the exposure risk of the import balance increased after the commissioning of the 400,000-tonne project and the continuous rollover risk can be borne by the good linkage of supply, production and sales, the balanced organization of procurement and production and the control of total volume. It is possible to reduce risk exposure by studying and researching market conditions to increase the export settlement of foreign exchange for hedging, speed up settlement, and appropriately match balance value preservation.

### 4. *Technological innovation risk*

**Risk description:** There is still a gap between the Company and the industry leading benchmark regarding technology in the main professional fields of mining production and smelting and equipment and facilities, which is difficult to meet the Company's green and high-quality development requirements.

**Reason analysis:** The Company's mine production units and smelters have been in operation for a long time, and certain key processes are relatively backward. The production equipment is old, and the level of mechanization and automation is not high.

**Responses:** In respect of mines, we will keep tackling key technological issues in developing mine resources in a green, safe and efficient way, and focus on the application of advanced mining equipment and the industrial application of paste-filled mining technology in the field, realizing the improvement of mine construction and the upgrade of technology and equipment. In respect of smelting, we will continue to tackle key technologies for the production of oxygen-enriched high-grade matte, key technologies for the digital conversion of oxygen-enriched bottom-blown high-grade matte, and key technologies for the overall optimization of III-system sulfuric acid processes in Ausmelt furnace to optimize and upgrade the main production process of the smelter, and to upgrade and transform the main equipment for the conversion and sulphuric acid processes, thus creating an environmentally friendly and efficient clean production plant.

## (II) Financial risks

### 5. *Debt risk*

**Risk description:** The Company's debt ratio is relatively high compared to its peers at present. The purchase of hearth layer materials for the 400,000-tonne project in 2022 has resulted in a high level of inventory, which has contributed to an increase in the Company's overall debt ratio.

**Reason analysis:** The copper smelting and processing industry is characterized by high investment, low margins and long payback periods. The 400,000-tonne project is in the production stage, with increased hearth layer inventories and the absence of capital from the minority shareholders of the government platform increasing the overall debt ratio of the Company.

**Responses:** The first is to strengthen the control of capital quotas, do a good job in inventory quota control and process control of smelters and Yangxin Hongsheng, strengthen normalized supervision, and specifically promote the collection of overdue claims and strictly control the total amount of customer credit and graded authorization review for units with greater difficulties in credit risk control. The second is to strengthen the control over the debt ratio, and achieve the reduction target by various means such as approving the daily reserve fund position, strengthening the control of the interest-bearing liability limit, and promoting the pressure reduction of high-debt subsidiaries.

### 6. *Cash flow risk*

**Risk description:** The Company's 400,000-tonne project was completed and put into operation, with great fluctuations in inventory.

**Reason analysis:** Firstly, the 400,000-tonne project was completed and put into operation with an increase in demand for hearth layer, resulting in a strong upward pressure on inventory. The Company's raw material organization is subject to many unstable factors due to concentrated loading of imported raw materials, long-term in-transit and tight supply in the domestic copper raw material market, resulting in an imbalance in supply, production and sales, high inventory fluctuations and high capital appropriation. Secondly, due to the fluctuation of the raw material organization, the Company has a large reserve fund to ensure the safety of liquidity.

**Responses:** Firstly, we will strengthen the control of inventory quotas, formulate and issue annual capital quota control plans, strengthen the assessment and analysis of capital quotas; optimize the linkage of supply, production and sales services, enhance the effectiveness of capital budget control, and strengthen the supervision and guidance on the operation of capital budgets of key operating subsidiaries. Secondly, we will reasonably control the size of the capital reserve, approve the daily reserve and futures margin positions, and pool and deploy idle funds of secondary units. Thirdly, we will organize the dissemination and implementation of the capital management system, strengthen the control over the important links such as rules of capital payment, capital management, capital quota management and asset write-off management, and enhance the ability of financial indicator planning and external capital risk management and control.

## (III) Market risks

### *7. Market changes and market competition risk*

**Risk description:** Firstly, the geopolitical risks have not yet been eliminated and the global economic recession is yet to be realized. Base metals will experience a more complex market environment and future copper prices are uncertain, with price fluctuations having a significant impact on earnings. Secondly, there are seasonal fluctuations in the sales of sulfuric acid and imbalances in supply and demand occur from time to time, with stagnant sales of sulfuric acid affecting smelting production.

**Reason analysis:** Firstly, the gradual normalization of monetary policy by central banks in Europe, the United States and the United Kingdom, in particularly, the accelerated pace of tightening of monetary policy by the Federal Reserve may lead to a rapid tightening of global liquidity, resulting in a significant fall in commodity prices and putting pressure on the value preservation operations of self-produced ores. Secondly, the downstream phosphorus chemical production enterprises of sulfuric acid sales would experience uneven start-up rates due to seasonal changes in market demand, affecting current sulfuric acid purchases. Smelting acid production capacity has increased year on year, resulting in an increase in market supply, while downstream demand has not risen in tandem, perpetuating the imbalance between market supply and demand.

**Responses:** Firstly, the Company will strengthen the study and research on the market prices of commodities, and balance the production, supply and sales. Besides, the Company will enhance the management capability of hedging business and give full play to the positive effect of financial instruments on price risk. Secondly, we will strengthen the study and research on the supply and demand in the sulfuric acid market, and balance the production, supply and sales. By increasing the ratio of direct supply and exploring new energy markets, we will establish stable sales channels, while further increasing the development of markets outside Jiangxi and Hunan provinces to address the potential risk of imbalance between market supply and demand.

### *8. Customer credit risk*

**Risk description:** The business model of purchasing and selling involves payment before delivery or sale on credit, which may result in credit risk due to the counterparties' failure to perform or not performing their obligations in full. There is a hidden risk in the collection of accounts receivable of market-oriented business units. The collection of historical overdue receivables has become increasingly difficult over time.

**Reason analysis:** Firstly, because of the slowdown in economic growth, customers are unable to perform their contracts due to the objective facts such as the deteriorating business conditions, shortage of funds and deterioration of creditworthiness, or the subjective reasons such as malicious default or deliberate fraud. Secondly, credit risk increases due to the breakage of customers' capital chains.

**Responses:** Firstly, we will strengthen credit risk management, conduct credit business in a prudent manner, strictly follow the approval procedures for credit business in accordance with our management authority, conduct customer surveys and credit evaluations when conducting business, pay close attention to the operating conditions of the relevant customers during contract execution, and take timely advance warning and measures when unfavorable situations arise. Secondly, we will conduct a rigorous legal review of the contract and require the supplier (customer) to provide guarantee for the credit business as far as possible. Contracts signed with customers (suppliers) must contain provisions on payment and penalties for late payment. Thirdly, when receivables and prepayments are overdue, a collection plan will be formulated and linked with the performance appraisal for collection. For debts for which judicial proceedings have been initiated, we will step up our efforts in judicial follow-up, actively communicate with lawyers and the courts, pay attention to the collection and fixing of evidence, and do a good job in property preservation in order to strive for settlement.

## (IV) Operational risks

### 9. *Investment risk*

**Risk description:** Inadequate investment justification, unregulated or inaccurate investment decisions and deviations in project construction from the plan affected the achievement of the expected investment objectives. Firstly, there is a risk of investment justification. Inadequate feasibility studies for investment projects and expert assessment in a formalistic manner can mislead investment decisions. Secondly, there is a risk of investment decision. In the process of investment decision-making, there are risks that the basis of decision-making is not sufficient and true, the assessment is formalistic and not reported for approval as required, which may lead to irregularities and mistakes in investment decisions and investment returns lower than expectation or investment failure. Thirdly, there are risks associated with the construction of new projects. The mechanism of project construction management is not well designed, the arrangement of investment plans is not scientific enough, the process supervision and control are not in place, and the implementation and management of construction, design, costing and completion and acceptance are not standardized, which may lead to the failure of investment projects to complete as planned and the occurrence of delays and overestimates.

**Reason analysis:** Inadequate investment justification and poor investment decisions will lead to investment losses and business difficulties. Loss of control in the management of new projects will increase the cost of investment, prolong the construction period and reduce the level of return on investment.

**Responses:** Firstly, we will strengthen the pre-feasibility study, conduct strict due diligence, carry out comprehensive technical investigation and verification of target companies and projects, establish and implement a dedicated risk assessment mechanism, identify and analyze the risks of companies or projects in a timely manner, and provide a basis for investment decisions. Secondly, we will strictly implement investment management procedures. In strict accordance with the requirements of the "Investment Management of the Company" (公司投資管理) and the "Project Management under Ownership" (業主負責制項目管理) system, we will supervise the capital-contributing enterprises to fulfill the investment establishment and decision-making procedures and strictly review the investment reports. Thirdly, we will strictly implement the standard construction management, establish a sound project management system and strengthen the management of key projects under construction. Fourthly, we will strictly implement the assessment and evaluation of the acceptance of investment projects, focusing on the total investment amount, technical and economic indicators, the achievement of production targets and investment income and other assessment indicators to assess and evaluate the management of the main investment unit.

### 10. *Safe production risk*

**Risk description:** Firstly, the Safety Regulations for Metal and Nonmetal Mines (GB 16423-2020) (金屬非金屬礦山安全規程(GB 16423-2020)), which came into effect on 1 September 2021, completely prohibits the use of non-flame retardant materials underground. At present, non-flame retardant cables are still used underground in four units under the Company, posing a risk of fire accidents. Secondly, there is a risk of underground flooding due to abnormal water discharge along the southern edge of the underground at Tonglvshan Mine in September 2022.

**Reason analysis:** Firstly, the safety and production investigation and rectification are not thorough and only some of the non-flame retardant cables underground were replaced. Secondly, the southern edge of the underground at Tonglvshan Mine suffered from flooding in the past, and was treated by curtain grouting with obvious improvement. However, the southern edge of the underground was abnormally flooded in September 2022, the cause of which has not yet been identified.

**Responses:** Firstly, we will organize all mine units to conduct a comprehensive survey of non-flame retardant cables underground, formulate a replacement list and rectification plan, and strive to complete the replacement of all cables by the end of 2023. Secondly, we will commission qualified institutions to carry out site surveys, identify the causes of flooding, prepare dedicated water control plans and commission qualified institutions to carry out works to effectively address the risk of flooding.

### 11. *Environmental risk*

**Risk description:** Failure implement of the requirements of rectification projects of the central environmental protection inspections in the construction projects may lead to a risk that the actual project construction is inconsistent with the approval.

**Reason analysis:** Some rectification projects of the central environmental protection inspections are medium to long-term rectification projects, and there may be cases where the process may be optimized during the implementation process due to enhancement of the treatment effect, and there may be cases where the process may be changed, resulting the actual project construction is inconsistent with the approval.

**Responses:** We will strictly review the rectification projects of the central environmental protection inspections, strengthen the verification of project implementation, and supplement or change the environmental impact assessment procedures in a timely manner in case of process changes.

### 12. *Quality risk*

**Risk description:** The Company's product quality fluctuates or decreases due to unqualified quality management, quality control and inspection, resulting in higher costs and customer complaints and, in serious cases, quality incidents that damage the overall image of the enterprise.

**Reason analysis:** Firstly, the documents and standards of the quality management system were not updated in a timely manner, and the specific quality management of some production units and departments were not implemented in accordance with the provisions or requirements of the documents and standards. Secondly, the production unit did not strictly control the production process, and the process control was weak, so the quality of the products could not be maintained consistently. Thirdly, the control and supervision of quality inspection were not strict, and the disposal of substandard products was not in place. Fourthly, managers at all levels had weak awareness of quality, problems and improvement.

**Responses:** Firstly, we will continuously improve the quality management system, and the main functional departments will strengthen the collection and evaluation of laws, regulations and industry standards as required, increase the inspection of the implementation of the Company's internal systems, revise the documents in a timely manner in case of non-compliance and maintain the operability of the processes; secondly, we will continuously strengthen the quality control of the product realization process, improve the one-time pass rate of product production, organize the production workshop to analyze each process in accordance with the requirements of the quality management system standards for the purpose of implementing effective control of the process, clarify the existing activity control requirements from the input, activity and output process, determine the key control points of the process, systematically and comprehensively sort out the process control standards and requirements, implement process quality control, and promote product quality stability; thirdly, we will continue to improve and perfect the quality inspection and supervision mechanism, implement quality inspection, continuously refine the quality inspection workflow and laboratory operation standards, randomly review the "three-tier" inspection mode, and keep the quality inspection at source; fourthly, we will continue to strengthen quality education and training for managers at all levels, and raise the awareness of quality, problems and improvement of the staff through mass quality activities.

### *13. Procurement and supply chain management risk*

**Risk description:** The transportation time and customs clearance time of imported production materials and equipment of the Company have been prolonged, and the Company is exposed to the risk of supply chain disruption.

**Reason analysis:** The supply chain is under pressure due to mismatches arising from global shipping bottlenecks caused by the COVID-19 epidemic and the Russian-Ukrainian war, further increasing the operational risks of enterprises.

**Responses:** We will increase the proportion of raw materials in stock as appropriate, and at the same time, communicate with relevant departments to request more transit ports to avoid long waiting time for customs clearance, which will increase procurement costs and affect the guaranteed supply of raw materials.

## (V) Legal Risks

### *14. Compliance risk*

**Risk description:** Firstly, some employees have a weak awareness of compliance risk prevention and control, a weak sense of law and discipline, and are still accustomed to operating at the edge of the regulations in terms of compliance. Secondly, compliance management in the field of labor and employment in overseas enterprises needs to be further improved, and the progress of informatization proposals for compliance management is slow.

**Reason analysis:** The compliance management system needs to be further deepened, the management mode of compliance affairs and the methods of compliance management are still being explored, the management of compliance is still not clear enough, the division of responsibilities and coordination are still insufficient, the concept of "managing enterprises according to law and operating in compliance" is not deep enough, the awareness of "compliance for all" is not strong, and the compliance management team needs to be further improved.

**Responses:** The first is to improve and perfect the compliance management system. We will study and understand in depth the provisions of the Measures for the Compliance Management of Central State-owned Enterprises (中央企業合規管理辦法) issued by the State-owned Assets Supervision and Administration Commission of the State Council and the relevant arrangements of the Group's compliance management system, revise and improve the compliance management system in conjunction with the actual situation of the Company, and strengthen the implementation and supervision of the "Regulations on Compliance Management" (合規管理辦法). The second is to improve and perfect the compliance management mechanism, highlight the focus of compliance management, clarify work responsibilities, and extend various compliance requirements downwards to ensure comprehensive coverage and effective implementation. The third is to deepen the building of compliance capacity and cultivate a compliance culture. We will further strengthen the construction of compliance teams, and instruct and supervise capital-funded enterprises and branches to continuously improve their compliance organizations and enrich their professional compliance teams. We will further strengthen the learning and application of compliance management knowledge, continue to build an atmosphere of compliance culture for all staff, continuously promote the spirit of the rule of law and the concept of compliance, and continuously improve the level of compliance management of the Company.

## 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.

## The Impact of The Epidemic on The Company

The epidemic has a slight impact on the overall operations of the Company. Operation of the company has been fully resumed. The preventive and control measures to the epidemic has been strictly implemented. The epidemic will not have a significant impact on the future operations. There is sufficient liquidity and operations will not be affected based on the existing status of business operations and capital conditions of the Company.

## 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 2022:

| Age | | | | |
|---|---|---|---|---|
| Below 18 | 18 to 29 | 30 to 39 | 40 to 49 | 50 or above |
| – | 780 | 773 | 3,152 | 729 |

| Gender | |
|---|---|
| Male | Female |
| 4,646 | 788 |

| 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 2022:

| % of employees trained | | Average training hours per employee |
|---|---|---|
| Male | Female | Number of hours |
| 96.23 | 91.89 | 42.49 |

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 2022:

| Voluntary turnover rate (%) | | | | |
|---|---|---|---|---|
| **Below 18** | **18 to 29** | **30 to 39** | **40 to 49** | **50 or above** |
| – | 0.34 | 0.22 | 0.43 | 0.1 |

| Voluntary turnover rate (%) | | |
|---|---|---|
| **Male** | **Female** | **Overall** |
| 0.92 | 0.08 | 1.00 |

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 2022 is presented below.

### Summary of selected items of consolidated statement of profit or loss

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **33,658,516** | 35,677,656 | 29,387,562 | 32,805,685 | 30,749,010 |
| Profit/(loss) for the year attributable to: | | | | | |
| Owners of the Company | **110,910** | 286,436 | 306,415 | 146,664 | (100,959) |
| Non-controlling interests | **(117,326)** | 50,140 | (4,779) | 26,884 | 14,357 |
| Profit/(loss) for the year | **(6,416)** | 336,576 | 301,636 | 173,548 | (86,602) |

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

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Assets** | | | | | |
| Current assets | **12,242,067** | 7,681,773 | 6,417,099 | 8,324,527 | 8,364,655 |
| Non-current assets | **10,981,682** | 9,453,334 | 8,439,149 | 8,474,837 | 8,607,229 |
| Total assets | **23,223,749** | 17,135,107 | 14,856,248 | 16,799,364 | 16,971,884 |
| **Liabilities** | | | | | |
| Current liabilities | **11,948,176** | 7,038,537 | 6,333,015 | 8,247,770 | 8,083,411 |
| Non-current liabilities | **7,001,965** | 5,939,196 | 5,052,435 | 5,682,032 | 6,472,459 |
| Total liabilities | **18,950,141** | 12,977,733 | 11,385,450 | 13,929,802 | 14,555,870 |
| | **4,273,608** | 4,157,374 | 3,470,798 | 2,869,562 | 2,416,014 |
| Equity attributable to owners of the Company | **3,097,093** | 2,986,511 | 2,690,540 | 2,384,125 | 2,237,461 |
| Non-controlling interests | **1,176,515** | 1,170,863 | 780,258 | 485,437 | 178,553 |
| | **4,273,608** | 4,157,374 | 3,470,798 | 2,869,562 | 2,416,014 |

## 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 2022 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 2022 are set out in the consolidated statement of profit or loss on page 96 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil). No interim dividend was declared during the year (2021: Nil).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 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 2022 is set out in note 38 to the consolidated financial statements.

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2022.

## 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 2022 are set out in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company had retained profits of RMB1,392,207,000 available for distribution to the Shareholders.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, 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 2022 and up to the date of this report were:

### Executive Directors

Xiao Shuxin *(Chairman)*
Long Zhong Sheng *(Chief Executive Officer)*
Chen Zhimiao
Zhang Guangming *(appointed on 28 October 2022)*

### Independent Non-executive Directors

Wang Guoqi
Wang Qihong
Liu Jishun

Pursuant to bye-law 86(2) of the Current Bye-Laws, any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting of the Company after his or her appointment and shall then be eligible for re-election at that meeting (but shall not be taken into account in determining which particular Director or the number of Directors who are to retire by rotation). Accordingly, Mr. Zhang Guangming being the executive Director appointed by the Board after the preceding general meeting of the Company, shall retire at the Annual General Meeting and, being eligible, will offer himself for re-election at the Annual General Meeting.

Pursuant to bye-law 87(2) of the Current Bye-laws, Mr. Xiao Shuxin, Mr. Wang Guoqi, Mr. Wang Qihong shall retire by rotation at the Annual General Meeting. All of the above three Directors, being eligible, will offer themselves for re-election at the 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 2022, 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 | Nature of interest | Number of shares/ underlying shares | Approximate percentage of shareholding (%) *(Note 2)* | Long position/ short position |
|---|---|---|---|---|
| Wang Qihong | Beneficial Owner | 594,000 | 0.00 | Long position |
| | Interest of Spouse | 1,000,000 *(Note 1)* | 0.01 | Long position |
| Wang Guoqi | Beneficial Owner | 600,000 | 0.00 | Long position |

*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 2022.

Save as disclosed above, as at 31 December 2022, 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 2022, 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:

| Name of Shareholder | Nature of interest | Number of shares/ underlying shares | Approximate percentage of shareholding (%) *(Note 2)* | Long position/ short position |
|---|---|---|---|---|
| China Times Development Limited | Beneficial owner | 11,962,999,080 shares | 66.85 | Long position |
| Parent Company | Interest in a controlled corporation | 11,962,999,080 shares *(Note 1)* | 66.85 | Long position |
| CNMC | Interest in a controlled corporation | 11,962,999,080 shares *(Note 1)* | 66.85 | Long position |
| China Cinda Asset Management Co., Limited | Beneficial owner | 749,590,000 shares | 4.19 | Long position |

*Notes:*

1. These shares were held by China Times Development Limited, the entire issued capital of which were beneficially owned by the Parent Company. 57.99% of the equity interest in Parent Company were beneficially owned by CNMC.

2. The percentage of shareholding is calculated based on 17,895,579,706 issued shares of the Company as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, 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 2022.

## 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 2022.

## 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 2022.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, 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 | 16.72% |
| – Five largest customers | 48.79% |

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

| | |
|---|---|
| – The largest supplier | 9.15% |
| – Five largest suppliers | 23.78% |

At no time during the year ended 31 December 2022 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 2022, 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.

# Report of the Directors

## 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 a 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. |
| 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 is therefore 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 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 an 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 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. |
| 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. |
| Yangxin Hongsheng Copper Industry Company Limited* (陽新弘盛銅業有限公司) ("Yangxin Hongsheng") | Yangxin Hongsheng is a connected subsidiary of the Company |
| Huangshi Xingang Development Co., Ltd.* (黃石新港開發有限公司) ("Huangshi Xingang Development") | Huangshi Xingang Development holds 16% equity interests of Yangxin Hongsheng. It is a substantial shareholder of Yangxin Hongsheng, and thus a connected person of the Company at subsidiary level. |

## CONTINUING CONNECTED TRANSACTIONS

The following are the continuing connected transactions, mostly resolutions of which 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<br>(2) CNMC |
| Nature of transactions: | The Group shall place deposits with the CNMC Group.<br>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 People's Bank of China 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<br>The annual cap for the year of 2020 is RMB2,681,869,000.<br>The annual cap for the year of 2021 is RMB2,885,041,000.<br>The annual cap for the year of 2022 is RMB3,110,325,000.<br>(b) Financial services provided by CNMC Group<br>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.

The aggregate transaction amount incurred in accordance with the CNMC Financial Services Framework Agreement for the year ended 31 December 2022 was RMB818,463,000 for the deposit services and RMB1,896,046,000 for financial services provided by CNMC Group.

## 2. Parent Group Sales Framework Agreement

Date: 22 November 2019

Parties: (1) the Company

(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.

The annual cap for the year of 2021 is RMB10,802,160,000.

The annual cap for the year of 2022 is RMB14,383,651,000.

The aggregate transaction amount incurred in accordance with the Parent Group Sales Framework Agreement for the year ended 31 December 2022 was RMB6,395,155,000.

### 3. Huangshi Xingang Sales Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company |
| | (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. |
| | The annual cap for the year of 2021 is RMB40,000,000. |
| | The annual cap for the year of 2022 is RMB75,000,000. |

The aggregate transaction amount incurred in accordance with Huangshi Xingang Sales Framework Agreement for the year ended 31 December 2022 was RMB Nil.

### 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.<br><br>The annual cap for the year of 2021 is RMB2,976,000,000.<br><br>The annual cap for the year of 2022 is RMB2,976,000,000. |

The aggregate transaction amount incurred in accordance with the Zhongse Aobote Sales Framework Agreement for the year ended 31 December 2022 was RMB Nil.

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

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company<br><br>(2) the Parent Company |
| Nature of transactions: | The Parent Group will:<br><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><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. |
| | The annual cap for the year of 2021 is RMB2,567,932,000. |
| | The annual cap for the year of 2022 is RMB3,121,564,000. |

The aggregate transaction amount incurred in accordance with the Parent Group Purchase and Production Services Framework Agreement for the year ended 31 December 2022 was RMB877,473,000.

## 6. Hubei Gold Purchase Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| 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 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. |
| | The annual cap for the year of 2021 is RMB77,755,000. |
| | The annual cap for the year of 2022 is RMB91,893,000. |

The aggregate transaction amount incurred in accordance with the Hubei Gold Purchase Framework Agreement for the year ended 31 December 2022 was RMB37,116,000.

### 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. |

The aggregate transaction amount incurred in accordance with the CNMC Group Purchase and Production Services Framework Agreement for the year ended 31 December 2022 was RMB3,617,153,000.

## 8. Combined Ancillary Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company |
| | (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. |
| | The annual cap for the year of 2021 is RMB385,323,000. |
| | The annual cap for the year of 2022 is RMB391,613,000. |

The aggregate transaction amount incurred in accordance with the Combined Ancillary Services Framework Agreement for the year ended 31 December 2022 was RMB330,909,000.

## 9. 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 2020 is RMB145,171,000. |
| | The annual cap for the year of 2021 is RMB1,100,000. |
| | The annual cap for the year of 2022 is RMB1,100,000. |

The aggregate transaction amount incurred in accordance with the Land Lease Framework Agreement for the year ended 31 December 2022 was RMB849,000.

## 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. |

The aggregate transaction amount incurred in accordance with the Parent Group Services Framework Agreement for the year ended 31 December 2022 was RMB Nil.

### 11. Huangshi Xingang Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company |
| | (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. |
| | The annual cap for the year of 2021 is RMB21,000,000. |
| | The annual cap for the year of 2022 is RMB30,000,000. |

The aggregate transaction amount incurred in accordance with the Huangshi Xingang Services Framework Agreement for the year ended 31 December 2022 was RMB Nil.

### 12. Bangfuduo Purchase Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company |
| | (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. |
| | The annual cap for the year of 2021 is RMB1,137,039,000. |
| | The annual cap for the year of 2022 is RMB1,137,039,000. |

The aggregate transaction amount incurred in accordance with the Bangfuduo Purchase Framework Agreement for the year ended 31 December 2022 was RMB Nil.

### 13. Asset Lease Framework Agreement

| | |
|---|---|
| Date: | 22 November 2019 |
| Parties: | (1) the Company |
| | (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: | (a) The Group's lease of assets to the Parent Group<br>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.<br>(b) The Parent Group's lease of assets to the Group<br>The annual cap for the year of 2020 is RMB2,520,000.<br>The annual cap for the year of 2021 is RMB2,520,000.<br>The annual cap for the year of 2022 is RMB2,520,000. |

Revision of the Annual Cap

n view of the business growth of the Group, the Board anticipates that the existing annual cap will not be sufficient to meet the expected transaction amounts of the Parent Group's lease of assets to the Group under the Asset Lease Framework Agreement for the year ending 31 December 2022. The Board therefore proposes that the existing annual cap of RMB2,520,000 be revised and increased to RMB3,200,000. The above revised annual cap for each of the year ending 31 December 2022 is determined after having taken into account: (i) the present transaction amounts in respect of Parent Group's lease of assets to the Group under the Asset Lease Framework Agreement; (ii) the estimated amount and types of assets required to be leased by the Group for its business operations; and (iii) the expected leasing fees for such assets in the year ending 31 December 2022.

For further information please refer to the announcement dated 11 November 2022.

The aggregate transaction amount incurred in accordance with the Asset Lease Framework Agreement for the year ended 31 December 2022 was RMB Nil for the Group's lease of assets to the Parent Group and RMB2,811,000 for the Parent Group's lease of assets to the Group.

## 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 11 January 2022:

### 1. Parent Group Sales Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Group will supply certain products to the Parent Group, including gold, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools, sulfuric acid, dump truck, waste materials, scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part materials, platinum, spongy palladium, crude selenium, tellurium ingot and such other products as agreed by the parties from time to time. |
| Term: | 1 January 2023 to 31 December 2025. |
| 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 2023 is RMB14,849,212,000.<br><br>The annual cap for the year of 2024 is RMB22,793,246,000.<br><br>The annual cap for the year of 2025 is RMB23,515,155,000. |

### 2. Yangxin Hongsheng Sales Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) Yangxin Hongsheng |
| Nature of transactions: | The Group will supply certain products to Yangxin Hongsheng, including gold, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, 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 2023 to 31 December 2025. |
| 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 2023 is RMB2,336,214,000.<br><br>The annual cap for the year of 2024 is RMB2,704,630,000.<br><br>The annual cap for the year of 2025 is RMB3,110,003,000. |

### 3. Parent Group Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| 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/ore-dressing design, maneuvering wire improvement, technical development services, blueprinting, technical consulting and such other services as agreed by the parties from time to time. |
| Term: | 1 January 2023 to 31 December 2025. |
| 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 2023 is RMB4,430,000.<br><br>The annual cap for the year of 2024 is RMB4,117,000.<br><br>The annual cap for the year of 2025 is RMB4,145,000. |

## 4. Huangshi Xingang Purchase and Production Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) Huangshi Xingang |
| Nature of transactions: | Huangshi Xingang will:<br>(1) supply certain products to the Group, including scrap copper, blister copper, silver, anode plates, industrial cutting gas, liquefied gas, natural gas, copper concentrate, diesel fuel, equipment, wollastonite, gold concentrate, gold, waste circuit board 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/anode scrap, 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 2023 to 31 December 2025. |
| Pricing mechanism: | Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the Market Price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. |
| Annual Caps: | The annual cap for the year of 2023 is RMB27,000,000.<br>The annual cap for the year of 2024 is RMB27,000,000.<br>The annual cap for the year of 2025 is RMB27,000,000. |

### 5. Yangxin Hongsheng Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) Yangxin Hongsheng |
| Nature of transactions: | The Group will provide certain services to Yangxin Hongsheng, including engineering design and surveying, environment monitoring, equipment, electrical and oil products inspection and examination, research and development, architectural/ore-dressing design, maneuvering wire improvement, technical development services, blueprinting, technical consulting, mineral product examination and such other services as agreed by the parties from time to time. |
| Term: | 1 January 2023 to 31 December 2025. |
| 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 2023 is RMB16,400,000.<br><br>The annual cap for the year of 2024 is RMB16,400,000.<br><br>The annual cap for the year of 2025 is RMB16,400,000. |

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

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Parent Group will:<br><br>(1) supply certain products to the Group, including scrap copper, blister copper, silver, anode plates, industrial cutting gas, liquefied gas, natural gas, copper concentrate, diesel fuel, equipment, wollastonite, gold concentrate, gold and such other products as agreed by the parties from time to time; and |

| | |
|---|---|
| | (2) provide certain production services to the Group, including repair service, maintenance work, construction engineering, engineering labour, safe production costs, design and construction, technology research and development, processing of anode plates/anode scrap, 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 2023 to 31 December 2025. |
| 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><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 2023 is RMB3,009,009,000.<br><br>The annual cap for the year of 2024 is RMB3,520,887,000.<br><br>The annual cap for the year of 2025 is RMB4,116,336,000. |

## 7. Hubei Gold Purchase Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| 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 2023 to 31 December 2025. |
| 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 2023 is RMB44,900,000.<br><br>The annual cap for the year of 2024 is RMB48,043,000.<br><br>The annual cap for the year of 2025 is RMB47,865,000. |

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

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) CNMC |
| Nature of transactions: | The CNMC Group (excluding the Parent Group and the 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, supervision, construction, mine exploration and such other production services as agreed by the parties from time to time. |
| Term: | 1 January 2023 to 31 December 2025. |
| 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 2023 is RMB6,355,823,000.<br>The annual cap for the year of 2024 is RMB6,663,945,000.<br>The annual cap for the year of 2025 is RMB7,462,154,000. |

### 9. Yangxin Hongsheng Purchase Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) Yangxin Hongsheng |
| Nature of transactions: | Yangxin Hongsheng will supply certain products to the Group, including copper concentrate, anode scrap, anode mud and such other products as agreed by the parties from time to time. |
| Term: | 1 January 2023 to 31 December 2025. |
| 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 2023 is RMB6,361,261,000.<br><br>The annual cap for the year of 2024 is RMB5,648,630,000.<br><br>The annual cap for the year of 2025 is RMB6,054,003,000. |

### 10. Parent Group Combined Ancillary Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Parent Group will provide certain services to the Group, including advertising, steel cylinder repair, 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 and staff training, materials and such other services as agreed by the parties from time to time. |
| Term: | 1 January 2023 to 31 December 2025. |
| 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 2023 is RMB357,799,000.<br><br>The annual cap for the year of 2024 is RMB430,072,000.<br><br>The annual cap for the year of 2025 is RMB400,607,000. |

### 11. Huangshi Xingang Development Combined Ancillary Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) Yangxin Hongsheng<br>(2) Huangshi Xingang Development |
| Nature of transactions: | Huangshi Xingang Development Group will provide certain services to Yangxin Hongsheng, including advertising, steel cylinder repair, 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 and staff training, materials and such other services as agreed by the parties from time to time. |
| Term: | 1 January 2023 to 31 December 2025. |
| 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 2023 is RMB25,640,000.<br><br>The annual cap for the year of 2024 is RMB26,848,000.<br><br>The annual cap for the year of 2025 is RMB26,848,000. |

## 12. Land Lease Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| 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: | 1 January 2023 to 31 December 2025. |
| 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 2023 is RMB13,772,000.<br>The annual cap for the year of 2024 is RMB13,772,000.<br>The annual cap for the year of 2025 is RMB13,772,000. |

## 13. Asset Lease Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| Parties: | (1) the Company<br>(2) the Parent Company |
| Nature of transactions: | The Group will lease certain assets (including properties, vehicles and warehouse) 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.<br><br>The Parent Group will lease certain assets (including sulfuric acid tank trucks, circulating water pump station, university student apartments, properties, production line (including properties and equipment etc.)) 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 2023 to 31 December 2025. |
| Pricing mechanism: | The pricing will be based on the depreciation and related tax amount. |
| Annual Caps: | The Group's lease of assets to the Parent Group<br><br>The annual cap for the year of 2023 is RMB3,713,000.<br><br>The annual cap for the year of 2024 is RMB3,713,000.<br><br>The annual cap for the year of 2025 is RMB3,713,000.<br><br>The Parent Group's lease of assets to the Group<br><br>The annual cap for the year of 2023 is RMB3,780,000.<br><br>The annual cap for the year of 2024 is RMB3,780,000.<br><br>The annual cap for the year of 2025 is RMB3,780,000. |

## 14. CNMC Financial Services Framework Agreement

| | |
|---|---|
| Date: | 22 November 2022 |
| 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 2023 to 31 December 2025. |
| 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. |
| | To ensure that the pricing policies under the CNMC Financial Services Framework Agreement are complied with, prior to conducting the connected transactions under the CNMC Financial Services Framework Agreement, the Group will enquire with third party commercial banks about the interest rates for loans and deposits of the same term and the fees for provision of similar financial services charged by them, to compare with the interest rates for loans and deposits and fees charged for the connected transactions between the Group and the CNMC Group and determine the relevant interest rates and fees in accordance with the pricing policies under the CNMC Financial Services Framework Agreement. The Group will seek to obtain quotations from at least three independent third party commercial banks in each case where practicable. |
| 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 CNMC: | CNMC undertakes to the Group that if CNMC Financial Company experiences or foresees any difficulties in payment, CNMC will inject capital into CNMC Financial Company based on the latter's needs in order to ensure the latter's normal operations. |
| Annual Caps: | Deposit services |
| | The annual cap for the year of 2023 is RMB2,697,750,000. |
| | The annual cap for the year of 2024 is RMB2,827,221,000. |
| | The annual cap for the year of 2025 is RMB2,929,468,000. |

Bills acceptance and settlement and foreign exchange settlement and sales services

The annual cap for the year of 2023 is RMB8,286,025,000.

The annual cap for the year of 2024 is RMB8,288,625,000.

The annual cap for the year of 2025 is RMB8,288,625,000.

Save as disclosed above, there are no other related party transactions or continuing related party transactions as set out in Note 44 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.

## 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 2022, the Group had 5,434 employees (2021: 5,023). The Group's total staff costs for the year was approximately RMB905,425,000 (2021: RMB779,220,000). 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 2022 and as of the date of this report.

## EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the reporting period.

## AUDITOR

Deloitte Touche Tohmatsu ("Deloitte") resigned as the auditor of the Company with effect from 18 August 2020. Given that Deloitte had been in office for 8 years since its appointment in 2012, the Board was of the view that the change of auditor could improve the independence of the auditor and demonstrate a high level of corporate governance practice, with level of audit fees taken into consideration as well. SHINEWING (HK) CPA Limited ("SHINEWING") had been appointed as the auditor of the Company with effect from 28 August 2020 to fill the casual vacancy following the resignation of Deloitte.

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by SHINEWING, who 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 SHINEWING 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
**Xiao Shuxin**
*Chairman*
31 March 2023

# 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 2022 under different aspects.

## CG CODE COMPLIANCE

For the year ended 31 December 2022, the Company had complied with the code provisions of the CG Code except for deviation from code provision A.1.1 of the CG Code as summarized below:

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2022, only three regular board meetings were held to review and discuss first quarter results, the annual results and interim results. The financial and operational data for the third quarter has been given to the Directors 14 days before the meeting. All the Directors did not have opinion after reviewing and considered the holding of quarterly meetings not necessary.

## 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 2022.

## CORPORATE CULTURE AND STRATEGY

The Company has developed core values, cultural ethos and an action-oriented multi-dimensional cultural regime to foster a corporate atmosphere of responsibility, loyalty, learning, and enterprising and enhance staff sense of belonging and responsibility, while facilitating the Company's long-term sustainable development through extensive publicity of typical experience and practices, advanced role models, and carry forward the spirit of enterprise in the new era. For details of the Company's corporate culture, please refer to the column headed "About Us" on the Company's official website.

## 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 5 of this annual report, namely:

| Name of Director | Date of first appointment to the Board | Date of last re-election as Director |
|---|---|---|
| ***Executive Directors*** | | |
| Xiao Shuxin *(Chairman)* | 15 July 2021 | 27 May 2022 |
| Long Zhong Sheng *(Chief Executive Officer)* | 22 March 2012 | 22 May 2022 |
| Chen Zhimiao | 21 June 2019 | 27 May 2022 |
| Zhang Guangming | 28 October 2022 | N/A |
| ***Independent Non-Executive Directors*** | | |
| Wang Guoqi | 13 January 2006 | 26 May 2021 |
| Wang Qihong | 13 January 2006 | 26 May 2021 |
| Liu Jishun | 31 July 2014 | 27 May 2022 |

### 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 2022, 3 Board meetings and 1 general meeting of the Company were held. The meetings are structured to allow open discussion. At the Board meetings, the Directors participated in discussing the strategies, operational and financial performance, corporate governance policy and internal control of the Group.

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

| | No. of meetings attended/ Eligible to attend | |
|---|---|---|
| Name of Director | Board meeting | General meeting |
| ***Executive Directors*** | | |
| Long Zhong Sheng | 2/3 | 1/1 |
| Xiao Shuxin | 3/3 | 1/1 |
| Chen Zhimiao | 3/3 | 1/1 |
| Zhang Guangming | 0/0 | 0/0 |
| ***Independent Non-executive Directors*** | | |
| Wang Guoqi | 3/3 | 1/1 |
| Wang Qihong | 3/3 | 1/1 |
| Liu Jishun | 3/3 | 1/1 |

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

Notices of 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 2022, 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 2022 is as follows:

| Name of Director | Mode of Continuous Professional Development Training<br>Reading materials and/ or attending seminars |
|---|---|
| ***Executive Directors*** | |
| Long Zhong Sheng | ✓ |
| Xiao Shuxin | ✓ |
| Chen Zhimiao | ✓ |
| Zhang Guangming | ✓ |
| ***Independent Non-Executive Directors*** | |
| Wang Guoqi | ✓ |
| Wang Qihong | ✓ |
| Liu Jishun | ✓ |

## Permitted Indemnity Provisions

During the financial year ended 31 December 2022 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, during the year ended 31 December 2022, the roles of the Chairman, Mr. Xiao Shuxin, and those of the Chief Executive Officer, Mr. Long Zhong Sheng, are segregated in order to reinforce their independence and accountability.

Mr. Xiao Shuxin 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 the incumbent independent non-executive Directors have retired from the office by rotation and have been re-elected in the past three years. 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. Independent non-executive Directors will attend and provide advices when the Board consider material issues. The Board will count the number of board meetings the independent non-executive directors attended and the advices they provided every year to ensure that the Boards can obtain independent views and opinions.

During the year ended 31 December 2022, 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 2022, 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 during the year ended 31 December 2022:

| Name of Director | Audit Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|
| ***Executive Directors*** | | | |
| Xiao Shuxin *(Chairman)* | – | – | Chairman |
| Long Zhong Sheng | – | – | – |
| Chen Zhimiao | – | – | – |
| Zhang Guangming | – | – | – |
| ***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 2022 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:

| (RMB) | Number of Senior Management Year ended December 31, 2022 | 2021 |
|---|---|---|
| 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 2022, the Remuneration Committee held 1 meeting. The Remuneration Committee made recommendations to the Board on the remuneration of non-executive Directors and assessed the performance of the executive Directors. Members of the Remuneration Committee and the attendance of each member are as follows:

| Name of 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.

The Company is committed to maintaining a highly effective Board which should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of its business. Thus, 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. 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 2022, the Nomination Committee held 3 meetings. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, recommended list of directors to be re-elected at the annual general meeting, reviewed the independence of independent non-executive Directors, reviewed the goals set for the implementation of the board's diversity policy and recommended appointment of an executive Director to the Board.

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 | Executive Director | Chairman | 2/3 |
| Wang Guoqi | Independent non-executive Director | Member | 3/3 |
| Wang Qihong | Independent non-executive Director | Member | 3/3 |
| Liu Jishun | Independent non-executive Director | Member | 3/3 |

## Board Diversity

The appointment of the Directors will be based on meritocracy, and candidates will be considered with due regard for the capacity, skill, and experience required for the overall operation of the Board, so as to ensure the proper balance of the members of the Board. The Nomination Committee will discuss annually all the agreed measurable objectives for implementing the board diversity, review and assess the composition of the Board, and provide relevant suggestions on the objectives to the Board.

## Measurable objectives

Selection of candidates will be based on range of diversity perspectives, including but not limited to culture and ethnicity, gender, educational background, knowledge, professional experience, age, positions, skills, and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

## Implementation and monitoring

The Nomination Committee reviews the structure, size, and composition (including the skills, knowledge, and experience) of the Board annually, makes suggestions in respect of any changes to the Board arising from the changes in the Company's strategies, and monitors the implementation in line with the Board diversity policy.

In March 2023, the Nomination Committee reviewed the Board structure and the biographical details of the retiring Directors and the newly appointed Director for re-election at the forthcoming annual general meeting of the Company in accordance with the criteria under the Nomination Policy and the Diversity Policy. The Nomination Committee considered that the retiring Directors have the required character, integrity and professional knowledge and experience to continue fulfilling their role and contributing to the Company and that the new Director is of sufficient caliber and experience appropriate for the requirements of the Company's businesses. The Nomination Committee has made recommendations to the Board on the nomination of the above-mentioned retiring Directors and new Director.

As at the date of this report, the composition of the Board at a diversity level is summarized as follows:

(1) Gender: Among the existing 7 Directors, all are male;

(2) Ethnicity: Among the existing 7 Directors, all are Han nationality;

(3) Education background: Among the existing 7 Directors, 2 have doctor's degrees; 2 have master's degrees; and 3 have bachelor's degrees;

(4) Professional Experience: Among the existing 7 Directors, 1 has professional experience in the management of mining industry and mineral processing, 1 has professional experience in geology and ore-formation, 2 have professional experience in economics and corporate management, 3 have professional experience in finance and accounting;

(5) Age: Among the existing 7 Directors, 3 are aged over 60, 1 is aged between 50 to 60, and 3 are aged under 50;

(6) Positions: Among the existing 7 Directors, 4 are executive Directors and 3 are independent non-executive Directors; and

(7) Length of Service: Among the existing 7 Directors, 3 have service less than 5 years, 2 have service between 5 and 10 years, 2 have service more than 10 years.

To achieve the objectives for gender diversity of the Board, the Company will appoint at least one female director. When identifying the suitable candidate, apart from gender, the Company will also consider factors including skills, experience, independence and knowledge of the candidates as part of the recruitment process to ensure that the candidates can discharge their duties and responsibilities to the board.

The board had reviewed the implementation of the mechanism and considered the mechanism worked effectively.

## 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 responsibilities and authorities of the Audit Committee also include such responsibilities and authorities set out in the relevant code provisions of the CG Code as contained in Appendix 14 to the Listing Rules (as amended from time to time). 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 2022, the Audit Committee held three meetings and reviewed with the management the Group's 2021 annual results, 2022 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 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; matters relating to the CG code: (1) to review the policies and practices on corporate governance of the Company; (2) to review and monitor the training and continuous professional development of directors; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and (5) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report; and reviewed and approved change of auditor.

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 2022. 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 2022, the remuneration paid and payable to SHINEWING in respect of their audit and non-audit services were as follow:

| | 2022<br>RMB' |
|---|---|
| Audit Services | 1,780,000.00 |
| Non-audit Services | 1,702,200.00 |
| Total | 3,482,200.00 |

The above non-audit services mainly included the review of the Group's interim report for the six months ended 30 June 2022.

The accounts for the year were audited by SHINEWING whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that SHINEWING 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 2022, 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.

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.

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 2022, 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.

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.

The Board was of the view that the Company has maintained effective internal control over the year in all material respects in accordance with the requirements of the internal control and risk management systems and procedures and other relevant regulations. As at benchmark date of the internal control report, the Company was not aware of any significant deficiency in respect of internal control over financial reporting and non-financial reporting.

## 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.

In order to help investors to have a better understanding of the 2021 annual results and the business operation of the Company, the Company convened the 2021 annual results briefing on 21 April 2022 to exchange views on the common concerned issues of investors.

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 timely basis via the Company's and Stock Exchange's website.

Shareholders can contact the company secretary through the company's email address. Shareholders' comments or questions will be forwarded to the management for answers or arrangements, and the company secretary will timely follow up on the processing progress when appropriate. Communication session is set up at the general meeting. Necessary time was provided for investors to speak, ask questions, and communicate with the Directors and senior managements of the Company.

During the reporting period, the company secretary received certain written enquires from shareholders and investors through email, and responded to matters not relating to inside information after communicating with the management. The board had reviewed the implementation of the mechanism and considered the mechanism worked effectively.

## 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
Room 1, 11/F.
China United Plaza
1008 Tai Nan West Street
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.

## Whistleblowing Policy

The whistleblowing policy of the Group is set out on the Company's website.

# Independent Auditor's Report

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

**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 (hereinafter collectively referred to as the "Group") set out on pages 96 to 183, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, 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 2022, 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 (the "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)

**Impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine**

Refer to notes 16, 17 and 19 to the consolidated financial statements and the accounting policies on pages 116 to 117.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| 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 2022 are RMB860,353,000, which consist of the carrying amounts of property, plant and equipment amounted to RMB614,269,000, right-of-use assets amounted to RMB9,536,000 and mining rights amounted to RMB236,548,000. 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 comparing a range of estimate on discount rate developed by our internal valuation specialists with the discount rate adopted by the management. |

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 the other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report

## RESPONSIBILITIES OF DIRECTORS OF THE COMPANY 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 of the Company 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 of the Company 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 of the Company 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 our agreed terms of engagement, 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 of the Company.

- Conclude on the appropriateness of the Company's 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, actions taken to eliminate threats or safeguards applied.

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 this independent auditor's report is Kwan Chi Fung.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Kwan Chi Fung**
Practising Certificate Number: P06614

Hong Kong
31 March 2023

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

| | NOTES | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Revenue | 5, 6 | **33,658,516** | 35,677,656 |
| Cost of sales and services rendered | | **(32,492,731)** | (34,407,108) |
| Gross profit | | **1,165,785** | 1,270,548 |
| Other income | 7 | **71,320** | 66,472 |
| Selling expenses | | **(38,754)** | (50,077) |
| Administrative expenses | | **(414,995)** | (394,121) |
| Other operating expenses | | **(382,650)** | (17,610) |
| Impairment losses of financial assets reversed (recognised) under expected credit loss model, net | 8 | **56,310** | (50,363) |
| Other gains and losses | 9 | **(66,530)** | (38,965) |
| Finance costs | 10 | **(327,134)** | (314,366) |
| Profit before tax | | **63,352** | 471,518 |
| Income tax expenses | 11 | **(69,768)** | (134,942) |
| (Loss) profit for the year | 12 | **(6,416)** | 336,576 |
| Profit (loss) attributable to: | | | |
| Owners of the Company | | **110,910** | 286,436 |
| Non-controlling interests | | **(117,326)** | 50,140 |
| | | **(6,416)** | 336,576 |
| **Earnings per share** | | | |
| Basic and diluted | 15 | **RMB0.62 fen** | RMB1.60 fen |

# Consolidated Statement of Financial Position

AS at 31 December 2022

| | NOTES | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 16 | **9,131,706** | 7,401,211 |
| Right-of-use assets | 17 | **933,766** | 952,556 |
| Exploration and evaluation assets | 18 | **8,198** | 5,179 |
| Intangible assets | 19 | **651,234** | 716,140 |
| Investments in joint ventures | 20 | **–** | – |
| Deferred tax assets | 21 | **99,970** | 60,638 |
| Other deposits | 24 | **156,808** | 317,610 |
| | | **10,981,682** | 9,453,334 |
| **CURRENT ASSETS** | | | |
| Inventories | 22 | **10,026,776** | 5,825,229 |
| Trade and bills receivables | 23 | **56,759** | 83,447 |
| Other deposits | 24 | **687,156** | 299,096 |
| Prepayments and other receivables | 25 | **527,197** | 212,445 |
| Derivative financial instruments | 26 | **100,139** | 46,559 |
| Structured bank deposits | 27 | **–** | 400,000 |
| Pledged deposits | 28 | **24,000** | 195 |
| Cash, deposits and bank balances | 28 | **820,040** | 814,802 |
| | | **12,242,067** | 7,681,773 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 29 | **3,590,256** | 1,812,904 |
| Other payables and accrued expenses | 30 | **1,397,421** | 717,679 |
| Contract liabilities | 31 | **50,461** | 231,703 |
| Bank and other borrowings | 32 | **6,695,567** | 2,999,443 |
| Lease liabilities | 33 | **6,037** | 4,946 |
| Promissory note | 35 | **–** | 1,095,852 |
| Derivative financial instruments | 26 | **113,616** | 43,818 |
| Early retirement obligations | 37 | **18,010** | 21,530 |
| Current income tax liabilities | | **76,808** | 110,662 |
| | | **11,948,176** | 7,038,537 |
| **NET CURRENT ASSETS** | | **293,891** | 643,236 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **11,275,573** | 10,096,570 |

# Consolidated Statement of Financial Position

AS at 31 December 2022

| | NOTES | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 38 | **727,893** | 727,893 |
| Share premium and reserves | | **2,369,200** | 2,258,618 |
| Equity attributable to owners of the Company | | **3,097,093** | 2,986,511 |
| Non-controlling interests | | **1,176,515** | 1,170,863 |
| **TOTAL EQUITY** | | **4,273,608** | 4,157,374 |
| **NON-CURRENT LIABILITIES** | | | |
| Other payables | 30 | **373,138** | 390,818 |
| Bank and other borrowings | 32 | **5,114,459** | 5,152,158 |
| Lease liabilities | 33 | **128,610** | 132,909 |
| Promissory note | 35 | **1,138,200** | – |
| Provision for mine rehabilitation, restoration and dismantling | 34 | **73,656** | 54,344 |
| Deferred income | 36 | **129,702** | 146,557 |
| Early retirement obligations | 37 | **44,200** | 62,410 |
| | | **7,001,965** | 5,939,196 |
| | | **11,275,573** | 10,096,570 |

The consolidated financial statements on pages 96 to 183 were approved and authorised for issue by the board of directors on 31 March 2023 and are signed on its behalf by:

**Xiao Shuxin**
*Director*

**Long Zhong Sheng**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

| | 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)/ retained earnings RMB'000 | Sub-total RMB'000 | Non-controlling interests RMB'000 | Total RMB'000 |
| At 1 January 2021 | 727,893 | 1,554,303 | 124,592 | 4,373,075 | (4,184,848) | 108,609 | 5,876 | (18,960) | 2,690,540 | 780,258 | 3,470,798 |
| Profit for the year | – | – | – | – | – | – | – | 286,436 | 286,436 | 50,140 | 336,576 |
| Appropriation of maintenance and production funds | – | – | – | – | – | 61,605 | – | (61,605) | – | – | – |
| Utilisation of maintenance and production funds | – | – | – | – | – | (70,993) | – | 70,993 | – | – | – |
| Transfer to PRC statutory reserve | – | – | – | – | – | 34,172 | – | (34,172) | – | – | – |
| Contribution from shareholders | – | 9,535 | – | – | – | – | – | – | 9,535 | 465 | 10,000 |
| Capital injection from non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | – | 340,000 | 340,000 |
| **At 31 December 2021 and 1 January 2022** | **727,893** | **1,563,838** | **124,592** | **4,373,075** | **(4,184,848)** | **133,393** | **5,876** | **242,692** | **2,986,511** | **1,170,863** | **4,157,374** |
| Profit (loss) for the year | – | – | – | – | – | – | – | 110,910 | 110,910 | (117,326) | (6,416) |
| Appropriation of maintenance and production funds | – | – | – | – | – | 63,960 | – | (63,960) | – | – | – |
| Utilisation of maintenance and production funds | – | – | – | – | – | (39,470) | – | 39,470 | – | – | – |
| Transfer to PRC statutory reserve | – | – | – | – | – | 30,071 | – | (30,071) | – | – | – |
| Deregistration of a subsidiary (note 47) | – | – | – | – | – | – | (328) | – | (328) | 22,978 | 22,650 |
| Capital injection from non-controlling shareholders of subsidiaries | – | – | – | – | – | – | – | – | – | 100,000 | 100,000 |
| **At 31 December 2022** | **727,893** | **1,563,838** | **124,592** | **4,373,075** | **(4,184,848)** | **187,954** | **5,548** | **299,041** | **3,097,093** | **1,176,515** | **4,273,608** |

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 (i) the deemed contribution from a then shareholder during the group reorganisation in 2012 and (ii) contribution from a shareholder for environmental rectification in 2021.

(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 2022

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before tax | **63,352** | 471,518 |
| Adjustments for: | | |
| Interest income | **(24,888)** | (30,880) |
| Finance costs | **327,134** | 314,366 |
| Exchange gains, net | **–** | (139) |
| Depreciation and amortisation | **113,458** | 53,723 |
| (Gain) loss on disposal of property, plant and equipment, net | **(3,525)** | 4,666 |
| Gain on disposal of right-of-use assets | **(144)** | (9,703) |
| Write-off of property, plant and equipment | **47,762** | 76,524 |
| Impairment losses of financial assets (reversed) recognised under expected credit loss model, net | **(56,310)** | 50,363 |
| (Gains) losses on fair value changes in respect of: | | |
| Currency forward contracts | **–** | (2,382) |
| Gold forward contracts | **(75,991)** | 59,210 |
| Gold loans designated as financial liabilities at fair value through profit or loss | **73,105** | (59,218) |
| Actuarial gains recognised during the year | **(2,010)** | (2,220) |
| Impairment loss of property, plant and equipment | **13,051** | 1,162 |
| Impairment loss of intangible assets | **5,228** | – |
| Write-down of inventories | **6,390** | 2,784 |
| Deferred income recognised | **(27,302)** | (23,111) |
| Write-off of trade payable | **(12,845)** | – |
| Write-off of trade receivables | **38,945** | – |
| Write-off of other receivables | **4,095** | – |
| Loss on deregistration of subsidiaries | **24,561** | – |
| Operating cash flows before movements in working capital | **514,066** | 906,663 |
| Increase in inventories | **(3,649,412)** | (621,659) |
| Decrease in derivative financial instruments, net | **92,209** | 3,253 |
| (Increase) decrease in trade and bills receivables | **(14,326)** | 92,044 |
| (Increase) decrease in prepayments and other receivables | **(354,836)** | 158,193 |
| Increase in trade payables | **1,823,699** | 211,753 |
| Increase (decrease) in other payables and accrued expenses | **20,072** | (167,761) |
| (Decrease) increase in contract liabilities | **(181,242)** | 186,897 |
| Increase in other deposits | **(389,941)** | (119,248) |
| Benefits paid for early retirement obligations | **(21,550)** | (28,470) |
| Increase in provision for mine rehabilitation, restoration and dismantling | **17,738** | – |
| Cash (used in) generated from operations | **(2,143,523)** | 621,665 |
| Income tax paid | **(142,954)** | (37,285) |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | **(2,286,477)** | 584,380 |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Placement of structured bank deposits | **(2,060,000)** | (2,400,000) |
| Payments for property, plant and equipment | **(1,442,945)** | (1,521,983) |
| Payments for intangible assets | **(27,095)** | (32,418) |
| Placement of pledged deposits | **(24,000)** | (195) |
| Payments for right-of-use assets | **(20,000)** | (60,084) |
| Payments for exploration and evaluation assets | **(7,863)** | (8,558) |
| Deregistration of subsidiaries | **(34)** | – |
| Release of structured bank deposits | **2,460,000** | 2,500,000 |
| Repayment from joint ventures | **25,533** | 8,416 |
| Interest received | **24,888** | 30,880 |
| Repayment from a fellow subsidiary | **1,099** | 15,291 |
| Proceeds from disposal of right-of-use assets | **1,275** | 12,025 |
| Proceeds from disposal of property, plant and equipment | **3,589** | 562 |
| Release of pledged deposits | **195** | 46,049 |
| Advance to a fellow subsidiary | **–** | (16,570) |
| NET CASH USED IN INVESTING ACTIVITIES | **(1,065,358)** | (1,426,585) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from new bank borrowings | **13,127,567** | 8,361,931 |
| Advance from Daye Nonferrous Metals Group Holdings Company Limited and its subsidiaries ("Daye Group") | **2,813,079** | 191,318 |
| Proceeds from gold loans | **1,525,777** | 1,221,279 |
| Advance from a fellow subsidiary | **490,583** | – |
| Capital injection from non-controlling shareholders of subsidiaries | **100,000** | 340,000 |
| Receipts of government grants | **8,300** | 50 |
| Repayments of bank borrowings | **(9,030,092)** | (7,060,690) |
| Repayments to Daye Group | **(2,675,000)** | (89,900) |
| Repayments of gold loans | **(1,614,119)** | (1,410,218) |
| Repayments to a fellow subsidiary | **(501,604)** | (24,001) |
| Repayments of other loans | **(324,000)** | (1,000) |
| Finance costs paid | **(323,418)** | (255,035) |
| Repayments to Finance Company | **(240,000)** | (1,750,000) |
| Advance from Nonferrous Mining Group Finance Co., Ltd ("Finance Company", a fellow subsidiary of the Company) | **–** | 1,750,000 |
| Contribution from shareholders | **–** | 10,000 |
| Repayments to a joint venture | **–** | (8,613) |
| NET CASH FROM FINANCING ACTIVITIES | **3,357,073** | 1,275,121 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **5,238** | 432,916 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | **814,802** | 374,735 |
| Effect of foreign exchange rate changes on the balance of cash held in foreign currencies | **–** | 7,151 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash, deposits and bank balances | **820,040** | 814,802 |

## 1. GENERAL

China Daye Non-Ferrous Metals Mining Limited (the "Company") 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 "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company is principally engaged in 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 immediate and ultimate holding company of the Company is China Times Development Limited ("China Times") (incorporated in the British Virgin Islands) and China Nonferrous Metal Mining (Group) Co., Ltd., a state-owned enterprise established in the PRC, respectively.

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

During the year ended 31 December 2022, the Group recorded a loss for the year of approximately RMB6,416,000. As at 31 December 2022, the Group had cash, deposits and bank balances, current portion of bank and other borrowings of approximately RMB820,040,000 and RMB6,695,567,000 respectively. Based on the estimation of the future cash flows of the Group, after taking into account of (i) the unutilised bank facilities of not less than RMB15,960,738,000 and (ii) bank borrowings of RMB1,277,423,000 subsequently raised which fall due after 31 December 2023, the directors are of the opinion that the Group will have sufficient working capital to finance its normal operation for the twelve months from the end of the reporting period of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 January 2022:

| | |
|---|---|
| Amendment to HKFRS 16 | *Covid-19-Related Rent Concessions 30 June 2021* |
| Amendment to HKFRS 3 | *Reference to the Conceptual Framework* |
| Amendment to HKAS 16 | *Property, plant and Equipment: Proceeds before Intended Use* |
| Amendment to HKAS 37 | *Onerous Contracts-Cost of Fulfilling a Contract* |
| Amendment to HKFRSs | *Annual Improvements to HKFRSs 2018-2020 cycle* |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position 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 ("HKFRS(S)") (Continued)

### New and amendments to HKFRSs issued but not yet effective

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

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17) | *Insurance Contracts* |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[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 | *Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[2] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants*[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to HKAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

### *Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020); Amendments to HKAS 1 - Non-current Liabilities with Covenants*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the "2020 Amendments") clarify the requirements for classifying liabilities as current or non-current. Amendments to HKAS 1 Non-current Liabilities with Covenants issued in 2022 (the "2022 Amendments") further clarify the requirements for classification of non-current liabilities with covenants. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with future covenants, the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered as settlement of a liability.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in change in the classification of the Group's liabilities.

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

### New and amendments to HKFRSs issued but not yet effective (Continued)

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies*

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

#### *Amendments to HKAS 8 Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

#### *Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with (i) the right-of-use assets and the lease liabilities and (ii) the provision for decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset.

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

### New and amendments to HKFRSs issued but not yet effective (Continued)

#### *Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)*

As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB143,881,000 and RMB134,647,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.

## 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 Stock Exchange and by the Hong Kong Companies Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

Control is achieved when the Group has: (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's 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 stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss 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 of subsidiaries 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

All intra-group 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.

### 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 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 Group's investments in joint ventures are accounted for in the consolidated financial statements using equity method. Under the equity method, investments in joint ventures are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the joint ventures are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, which determined using the equity method together with 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 provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

If a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the joint venture's accounting policies conform to those of the Group when the joint venture's financial statements are used by the Group in applying the equity method.

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, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill and is included in 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 requirements of HKAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment 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 to the extent that the recoverable amount of the net investment subsequently increases.

Gains and losses resulting from transactions between the Group and its joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss, if any.

### Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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 customers.

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 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 asset is created or enhanced; 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 goods 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.

#### *Contract liabilities*

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

## 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*

Revenue from copper processing is recognised over time.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which 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.

#### *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.

#### *Existence of significant financing component*

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payments and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing

#### *Definition of a lease*

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

#### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

#### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 Provision, Contingent Liabilities and Contingent Assets. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

#### *Right-of-use assets (Continued)*

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

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

#### *The Group as lessor*

The Group enters into lease agreements as a lessor with respect to certain machinery and land use right. 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 of ownership 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 on a straight-line basis over the term of the relevant lease.

### Sale and leaseback transactions

#### *The Group acts as a seller-lessee*

The Group applies the requirements of HKFRS 15 Revenue from Contracts with Customers to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowing within the scope of HKFRS 9 Financial Instruments.

### 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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 related to income 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.

### 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 in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

#### *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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Employee benefits (Continued)

#### *Other social insurance and housing funds*

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

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. 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, 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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.

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.

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.

### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production. Construction in progress is 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. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other 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 items of property, plant and equipment, 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 |

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

The estimated useful lives, residual values 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.

### 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 cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 recognised 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 carried 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.

#### *Research costs*

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

### Impairment losses 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 asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment losses 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.

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

### 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 of inventories represents the estimated selling price in the ordinary course of business 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.

### Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above and form an integral part of the Group's cash management.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### *Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

*Financial assets at amortised cost (debt instruments)*

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

### *Financial assets (Continued)*

*Financial assets at amortised cost (debt instruments) (Continued)*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments 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. 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.

Interest income is recognised in profit or loss and is included in the "other income" line item (note 7).

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically, debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as 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 to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gain and losses" line item. Fair value is determined in the manner described in note 40(c).

*Impairment loss of financial assets*

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are assessed individually.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has 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 increase in the likelihood or risk of a default occurring since initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Impairment loss of financial assets (Continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument 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 since initial recognition:

- 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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow 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 becomes past due.

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.

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 3 years past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience, continuous long term customers relationship and forward-looking information that is available.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

*Impairment loss of financial assets (Continued)*

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy
The Group writes off a financial asset 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 counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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 instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*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 party.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments*

*Classification as debt or equity*

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

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity 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.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

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

*Financial liabilities (Continued)*

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) held-for-trading, or 2) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, 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.

### 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 that obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

## 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.

### Fair value measurement

When measuring fair value except for the Group's leasing transaction, net realisable value of inventories and value in use of property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine, 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 resulting in 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 of the Company 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 the higher of value-in-use and fair value less cost of disposal.

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.

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. ("Hui Xiang"), a subsidiary of the Group. An aggregate impairment of approximately RMB582,641,000 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 2022, further impairment losses of property, plant and equipment and mining rights which amounted to RMB13,051,000 and RMB5,228,000 respectively, are recognised to reduce the carrying amount of the CGU to its recoverable amount in the current year.

As at 31 December 2022, the carrying amounts of the CGU were RMB860,353,000 (2021: RMB957,054,000) respectively.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Mine rehabilitation, restoration and dismantling obligations

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

These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions. As at 31 December 2022, the carrying amount of provision for rehabilitation, restoration and dismantling was approximately RMB73,656,000 (2021: RMB54,344,000).

### Allowance for inventories

Management reviews the net realisable values of inventories at the end of the reporting period based on the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated selling expenses and related taxes to determine the allowance for inventories. Management may take reference to the available price in the open market or the most recent or subsequent selling price if the open market information is not available. These estimates could change significantly as a result of change in market demand of products or technical innovation and impact the expectation of net realisable value and allowance for inventories required. As at 31 December 2022, the carrying amount of inventories was approximately RMB10,026,776,000 (2021: RMB5,825,229,000).

### Provision for expected credit losses on trade receivables

Provision for impairment of trade receivables is made based on an assessment of expected credit losses on trade receivables. The assessment of expected credit losses requires management's judgement and estimates. Trade receivables are assessed individually for impairment allowance. The expected credit loss rates are determined based on historical credit loss experience of receivables with similar credit risk characteristics and adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. As at 31 December 2022, the carrying amount of trade receivables was approximately RMB56,759,000 (2021: RMB82,787,000) and the provision for expected credit losses on trade receivables was approximately RMB44,735,000 (2021: RMB76,255,000).

### Income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. In addition, the realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. The carrying amount of deferred tax asset is detailed in note 21.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### 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.

### Depreciation for mining-related assets

The Group determines the depreciation of mining-related assets by the actual units of production over the estimated reserves of the mines. Further details about the reserve estimates are included in paragraph headed Mine reserves above.

### Fair value of derivative financial instruments

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of the assumptions used are disclosed in note 40(c). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of derivative financial instruments.

### Retirement benefit obligations

The early retirement obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a retirement benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting periods.

## 5. REVENUE

Revenue represents the net amounts received and receivable for sales of goods and services rendered net of sales related taxes. An analysis of the Group's revenue for the year is as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Revenue from contracts with customers within the scope of HKFRS 15 | | |
| Disaggregated by major services lines | | |
| Sales of goods | **33,620,958** | 35,642,388 |
| Rendering of services | **37,558** | 35,268 |
| | **33,658,516** | 35,677,656 |

Disaggregation of revenue by timing of recognition

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Timing of revenue recognition | | |
| At a point in time | **33,620,958** | 35,642,388 |
| Over time | **37,558** | 35,268 |
| Total revenue from contracts with customers | **33,658,516** | 35,677,656 |

### Performance obligations for contracts with customers

The performance obligations for contracts with customers include sales of non-ferrous metals and other materials or provision of processing service directly to 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

All 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 resource allocation and assessment of segment performance focuses on types of goods or services 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 segments information is presented other than entity-wide disclosures.

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

| | **2022<br>RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Sales of goods: | | |
| Copper cathodes | **27,258,231** | 27,900,873 |
| Other copper products | **864,381** | 1,527,289 |
| Gold and other gold products | **1,754,037** | 1,671,004 |
| Silver and other silver products | **3,007,489** | 3,657,798 |
| Sulphuric acid and sulphuric concentrate | **480,877** | 451,792 |
| Iron ores | **89,814** | 133,716 |
| Others | **166,129** | 299,916 |
| | **33,620,958** | 35,642,388 |
| Rendering of services: | | |
| Copper processing | **19,409** | 20,322 |
| Others | **18,149** | 14,946 |
| | **37,558** | 35,268 |
| Total revenue | **33,658,516** | 35,677,656 |

## 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) by location of assets are detailed below:

| | Non-current assets | |
|---|---|---|
| | **2022** | 2021 |
| | **RMB'000** | RMB'000 |
| PRC | **10,881,712** | 9,392,617 |
| Hong Kong | **–** | 65 |
| Mongolia | **–** | 14 |
| | **10,881,712** | 9,392,696 |

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

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| PRC | **33,150,438** | 35,189,803 |
| Hong Kong | **265,931** | 23,644 |
| Others | **242,147** | 464,209 |
| | **33,658,516** | 35,677,656 |

### Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Company A | **5,628,543** | 4,974,800 |
| Company B | **4,703,096** | N/A[1] |

1 The revenue from that customer was less than 10% of the total revenue of the Group during the reporting period.

## 7. OTHER INCOME

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Interest income from banks | **17,669** | 21,615 |
| Interest income from Finance Company | **7,219** | 9,265 |
| Government grants (note) | **12,462** | 3,106 |
| Deferred income recognised (note 36) | **27,302** | 23,111 |
| Others | **6,668** | 9,375 |
| | **71,320** | 66,472 |

Note: The government grants for the years ended 31 December 2022 and 2021 mainly represented subsidies for employment support and incentive fund for foreign trade of which the relevant expenses had been previously charged to profit or loss. There are no conditions and other contingencies attached to the receipts of those subsidies.

## 8. IMPAIRMENT LOSSES OF FINANCIAL ASSETS (REVERSED) RECOGNISED UNDER EXPECTED CREDIT LOSS MODEL, NET

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Impairment losses (reversed) recognised, net, on: | | |
| Trade receivables – goods and services | **(31,520)** | 25,685 |
| Loans to and amounts due from a joint venture | **(25,533)** | 24,609 |
| Other receivables | **743** | 69 |
| | **(56,310)** | 50,363 |

## 9. OTHER GAINS AND LOSSES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Gain (loss) on disposal of property, plant and equipment | **3,525** | (4,666) |
| Gain on disposal of right-of-use assets | **144** | 9,703 |
| Write-off of property, plant and equipment | **(47,762)** | (76,524) |
| Write-off of trade payable | **12,845** | – |
| Write-off of trade receivables | **(38,945)** | – |
| Write-off of other receivables | **(4,095)** | – |
| Fair value changes from: | | |
| Currency exchange swap contracts | **–** | 2,382 |
| Gold forward contracts | **75,991** | (59,210) |
| Gold loans designated as financial liabilities at fair value through profit or loss | **(73,105)** | 59,218 |
| Exchange gains, net | **47,712** | 31,294 |
| Impairment loss of property, plant and equipment (note 16) | **(13,051)** | (1,162) |
| Impairment loss of intangible assets (note 19) | **(5,228)** | – |
| Loss on deregistration of subsidiaries (note 47) | **(24,561)** | – |
| | **(66,530)** | (38,965) |

## 10. FINANCE COSTS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Interest on bank and other borrowings | **318,203** | 241,668 |
| Interest on loans from Daye Group | **15,025** | 18,344 |
| Interest on loans from Finance Company | **6,839** | 14,063 |
| Interest on loans from a fellow subsidiary | **270** | 376 |
| Interest on lease liabilities | **6,880** | 6,986 |
| Interest on promissory note (note 35) | **42,348** | 42,349 |
| Unwind interest of provision for mine rehabilitation, restoration and dismantling (note 34) | **1,574** | 1,528 |
| Unwind interest of early retirement obligations (note 37) | **1,830** | 2,690 |
| Total finance costs | **392,969** | 328,004 |
| Less: Borrowing costs capitalised in the cost of qualifying assets (note 16) | **(65,835)** | (13,638) |
| | **327,134** | 314,366 |

Borrowing costs capitalised during the year ended 31 December 2022 arose on the special borrowing.

## 11. INCOME TAX EXPENSES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Hong Kong Profits Tax | | |
| – current year | **–** | 295 |
| PRC Enterprise Income Tax | | |
| – current year | **111,740** | 140,516 |
| – (over) under-provision in prior years | **(2,640)** | 2,756 |
| Deferred tax (note 21) | **(39,332)** | (8,625) |
| | **69,768** | 134,942 |

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.

Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits. No provision for taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong for the year ended 31 December 2022.

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

## 11. INCOME TAX EXPENSES (Continued)

Income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Profit before tax | **63,352** | 471,518 |
| Tax at the applicable income tax rate at 25% (2021: 25%) (note) | **15,838** | 117,880 |
| Tax effect of expenses not deductible for tax purpose | **25,632** | 22,234 |
| Tax effect of tax losses not recognised | **29,707** | 785 |
| Utilisation of tax losses previously not recognised | **(312)** | (252) |
| Utilisation of deductible temporary differences previously not recognised | **(924)** | – |
| Tax effect of tax concession of research and development costs | **(1,591)** | (912) |
| Additional deduction of environment friendly equipments | **–** | (484) |
| (Over) under-provision in respect of prior year | **(2,640)** | 2,756 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions and concessionary rate | **(162)** | (3,092) |
| Others | **4,220** | (3,973) |
| Income tax expenses for the year | **69,768** | 134,942 |

Note: The domestic tax rate (which is EIT rate) in the jurisdiction where the operation of the Group is substantially based is used. During the year ended 31 December 2022, one (2021: one) of the PRC subsidiaries of the Group was recognised as high new technology enterprises and entitled to a preferential tax rate of 15%.

According to the PRC income tax law and its relevant regulations issued in 2019, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). During the year ended 31 December 2022, one (2021: one) of the PRC subsidiaries of the Group was qualified as small and low profit enterprise and entitled to the preferential income tax rate of 5%.

## 12. (LOSS) PROFIT FOR THE YEAR

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Depreciation of property, plant and equipment (note i) | **565,240** | 615,824 |
| Depreciation of right-of-use assets (note i) | **32,738** | 32,626 |
| Amortisation of intangible assets (note i) | **74,459** | 62,042 |
| | **672,437** | 710,492 |
| Impairment loss of intangible assets | **5,228** | – |
| Impairment loss of property, plant and equipment | **13,051** | 1,162 |
| Auditor's remuneration | **3,285** | 1,887 |
| Employee benefits expense (including directors' remuneration as disclosed in note 13) (note (ii)): | | |
| Salaries, wages and welfare | **799,433** | 651,778 |
| Retirement benefits scheme contributions | **105,992** | 127,442 |
| Total staff costs | **905,425** | 779,220 |
| Cost of sales and services rendered: | | |
| Cost of inventories recognised as an expense (note (iii)) | **32,460,356** | 34,377,352 |
| Direct operating expense arising from services provided | **32,375** | 29,756 |
| | **32,492,731** | 34,407,108 |
| Research and development costs (iv) | **20,584** | 16,873 |

Notes:

(i) During the year ended 31 December 2022, depreciation of property, plant and equipment of approximately RMB461,481,000 (2021: RMB596,782,000) and depreciation of right-of-use assets and amortisation of intangible assets of totalling approximately RMB62,347,000 (2021: RMB59,987,000) were capitalised to inventories respectively. During the year ended 31 December 2022, depreciation of property, plant and equipment of approximately RMB80,532,000 (2021: nil) and depreciation of right-of-use assets and amortisation of intangible assets of totalling approximately RMB10,240,000 (2021: nil) in relation to production were recognised as expenses and included in other operating expenses due to temporary shutdown of a mining site.

(ii) During the year ended 31 December 2022, employee benefits expense of approximately RMB586,542,000 (2021: RMB598,700,000) were capitalised to inventories. During the year ended 31 December 2022, employee benefits expense in relation to production approximately RMB151,773,000 (2021: nil) was recognised as expenses and included in other operating expenses due to temporary shutdown of a mining site.

(iii) During the year ended 31 December 2022, a write-down of raw material of approximately RMB6,390,000 (2021: RMB2,784,000) has been recognised and included in cost of inventories.

(iv) Included in research and development costs were staff costs of approximately RMB4,903,000 (2021: RMB3,589,000) which has been included in staff costs disclosure above and cost of materials.

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

### Directors and Chief Executive Officer

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

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees<br>RMB'000 | Salaries and other allowances<br>RMB'000 | Retirement benefit scheme contributions<br>RMB'000 | Bonus<br>RMB'000 | Total<br>RMB'000 |
| **2022** | | | | | |
| *Executive Directors* | | | | | |
| Mr. Wang Yan (note (i)) | **–** | **52** | **5** | **–** | **57** |
| Mr. Xiao Shuxin (note (iii)) | **–** | **780** | **60** | **–** | **840** |
| Mr. Long Zhong Sheng (note (vi)) | **906** | **192** | **54** | **–** | **1,152** |
| Mr. Chen Zhimiao | **–** | **881** | **39** | **–** | **920** |
| Mr. Zhang Guangming (note (iv)) | **–** | **432** | **36** | **–** | **468** |
| Mr. Wan Jun (note (ii)) | **–** | **397** | **32** | **–** | **429** |
| *Independent Non-executive Directors* | | | | | |
| Mr. Wang Guoqi | **92** | **–** | **–** | **–** | **92** |
| Mr. Wang Qihong | **92** | **–** | **–** | **–** | **92** |
| Mr. Liu Jishun | **92** | **–** | **–** | **–** | **92** |
| | **1,182** | **2,734** | **226** | **–** | **4,142** |
| **2021** | | | | | |
| *Executive Directors* | | | | | |
| Mr. Wang Yan (note (i)) | – | 951 | 55 | – | 1,006 |
| Mr. Long Zhong Sheng (note (vi)) | 877 | 211 | 37 | – | 1,125 |
| Mr. Chen Zhimiao | – | 760 | 37 | – | 797 |
| Mr. Yu Liming (note (v)) | – | 358 | 6 | – | 364 |
| Mr. Xiao Shuxin (note (iii)) | – | 385 | 41 | – | 426 |
| *Independent Non-executive Directors* | | | | | |
| Mr. Wang Guoqi | 82 | – | – | – | 82 |
| Mr. Wang Qihong | 82 | – | – | – | 82 |
| Mr. Liu Jishun | 82 | – | – | – | 82 |
| | 1,123 | 2,665 | 176 | – | 3,964 |

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

### Directors and Chief Executive Officer (Continued)

Notes:

(i) Mr. Wang Yan has resigned as executive director and chairman of the board of directors on 28 January 2022.

(ii) Mr. Wan Jun has appointed as executive director on 28 January 2022 and resigned as executive director on 28 October 2022.

(iii) Mr. Xiao Shuxin has been appointed as chairman of the board of directors on 28 January 2022.

(iv) Mr. Zhang Guangming has appointed as executive director on 28 October 2022.

(v) Mr. Yu Liming has resigned as executive director on 15 July 2021.

(vi) Mr. Long Zhong Sheng is the Chief Executive Officer of the Company in both 2022 and 2021 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

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

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

The remuneration of certain of the directors was borne by Daye Group during the current and prior years.

There was no arrangement under which a director or the Chief Executive Officer waived or agreed to waive any remuneration during both years.

### Employees

Of the five individuals with the highest emoluments in the Group, three (2021: three) were directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2021: two) individuals are as follows:

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| Salaries and other allowances | **1,247** | 1,429 |
| Retirement benefit scheme contributions | **78** | 74 |
| | **1,325** | 1,503 |

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

### Employees (Continued)

The emolument of the above employee is within the following band in Hong Kong dollar ("HK$"):

| | Number of employees 2022 | 2021 |
|---|---|---|
| Nil to HK$1,000,000 | **2** | 2 |

For both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

## 14. DIVIDEND

No dividend was paid or proposed for shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

## 15. EARNINGS PER SHARE

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

### Earnings

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share | **110,910** | 286,436 |

### Number of shares

| | 2022 '000 | 2021 '000 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | **17,895,580** | 17,895,580 |

The computation of diluted earnings per share for both years did not assume the conversion of the promissory note (note 35) 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 2021 | 5,778,693 | 3,230,943 | 3,244,317 | 130,459 | 50,429 | 282,011 | 12,716,852 |
| Additions | – | (4,990) | 12,171 | 1,413 | 1,446 | 1,621,575 | 1,631,615 |
| Interest capitalised (note 10) | – | – | – | – | – | 13,638 | 13,638 |
| Reclassification | 26,149 | 40,804 | 2,955 | – | – | (69,908) | – |
| Disposals | (5,757) | – | (879) | (2,335) | – | – | (8,971) |
| Write-off | (173,930) | (27,004) | (125,561) | (4,491) | (774) | – | (331,760) |
| At 31 December 2021 and 1 January 2022 | 5,625,155 | 3,239,753 | 3,133,003 | 125,046 | 51,101 | 1,847,316 | 14,021,374 |
| Additions | 40 | 3,314 | 78,479 | 5,330 | 986 | 2,208,155 | 2,296,304 |
| Interest capitalised (note 10) | – | – | – | – | – | 65,835 | 65,835 |
| Reclassification | 101,713 | 71,102 | 3,327,684 | 24,293 | 3,596 | (3,528,388) | – |
| Disposals | – | – | (104) | (1,297) | – | – | (1,401) |
| Write-off | (129,732) | (4,154) | (110,520) | (14,851) | (1,722) | – | (260,979) |
| Deregistration of a subsidiary (note 47) | (5,825) | – | – | (436) | (517) | (442) | (7,220) |
| At 31 December 2022 | 5,591,351 | 3,310,015 | 6,428,542 | 138,085 | 53,444 | 592,476 | 16,113,913 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1 January 2021 | (2,341,341) | (1,282,117) | (2,158,473) | (98,844) | (38,667) | – | (5,919,442) |
| Provided for the year | (226,051) | (213,158) | (165,404) | (8,257) | (2,954) | – | (615,824) |
| Eliminated on disposals | 1,071 | – | 453 | 2,219 | – | – | 3,743 |
| Eliminated on write-off | 111,872 | 19,740 | 107,279 | 4,293 | 716 | – | 243,900 |
| At 31 December 2021 and 1 January 2022 | (2,454,449) | (1,475,535) | (2,216,145) | (100,589) | (40,905) | – | (6,287,623) |
| Provided for the year | (227,148) | (154,636) | (173,487) | (7,724) | (2,245) | – | (565,240) |
| Eliminated on disposals | – | – | 104 | 1,233 | – | – | 1,337 |
| Eliminated on write-off | 93,899 | 2,453 | 97,338 | 14,060 | 1,405 | – | 209,155 |
| Deregistration of a subsidiary (note 47) | 588 | – | – | 172 | 491 | – | 1,251 |
| At 31 December 2022 | (2,587,110) | (1,627,718) | (2,292,190) | (92,848) | (41,254) | – | (6,641,120) |
| ACCUMULATED IMPAIRMENT | | | | | | | |
| At 1 January 2021 | (180,179) | (94,960) | (38,052) | (79) | (3,033) | (26,411) | (342,714) |
| Impairment loss recognised in profit or loss | – | – | (591) | – | – | (571) | (1,162) |
| Eliminated on write-off | 8,063 | – | 3,211 | 62 | – | – | 11,336 |
| At 31 December 2021 and 1 January 2022 | (172,116) | (94,960) | (35,432) | (17) | (3,033) | (26,982) | (332,540) |
| Impairment loss recognised in profit or loss | (487) | (11,101) | (1,463) | – | – | – | (13,051) |
| Eliminated on write-off | 734 | – | 3,323 | 5 | – | – | 4,062 |
| Deregistration of a subsidiary (note 47) | – | – | – | – | – | 442 | 442 |
| At 31 December 2022 | (171,869) | (106,061) | (33,572) | (12) | (3,033) | (26,540) | (341,087) |
| CARRYING VALUES | | | | | | | |
| At 31 December 2022 | 2,832,372 | 1,576,236 | 4,102,780 | 45,225 | 9,157 | 565,936 | 9,131,706 |
| At 31 December 2021 | 2,998,590 | 1,669,258 | 881,426 | 24,440 | 7,163 | 1,820,334 | 7,401,211 |

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

### Impairment assessment

(a) During the year ended 31 December 2022, 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, right-of-use assets and mining rights, attributable to a copper mine held by Hui Xiang, a subsidiary of the Group, and impairment losses attributed to property, plant and equipment and intangible assets which amounted to RMB13,051,000 and RMB5,228,000 respectively, were 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 amount of impairment losses attributed to property, plant and equipment, right-of-use assets and intangible assets which amounted to RMB305,176,000 (2021: RMB292,125,000), RMB982,000 (2021: RMB982,000) and RMB276,483,000 (2021: RMB271,255,000) respectively. The aggregate net carrying amounts of these assets as at 31 December 2022 are totalling approximately RMB860,353,000 (2021: RMB957,054,000).

The cash flow projection is based on financial budget approved by the management covering the expected useful life of relevant assets. The cash flow projection is discounted at pre-tax discount rate of 13.04% (2021: 15.0%) per annum which reflects the specific risks relating to this CGU. Key assumptions for the value-in-use calculation include future revenue, budgeted gross margin and operating cost, which were determined based on the CGU's past performance, the Group's business plans and management expectations for the market development.

During the years ended 31 December 2021, management of the Group determines that there is no further impairment loss or reversal of impairment loss based on a value-in-use calculation reviewed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuer not connected with the Group.

(b) During the year ended 31 December 2021, the Group recognised an impairment loss of approximately RMB591,000 (2022: nil) and RMB571,000 (2022: nil) in relation to plant and machinery and construction in progress respectively. The directors of the Company considered that the plant and machinery was in idle capacity and the construction works in respect of certain equipment was no longer necessary for the Group's operation so that the recoverable amount is insignificant as at 31 December 2021.

## 17. RIGHT-OF-USE ASSETS

| | Leasehold lands RMB'000 |
|---|---|
| As at 1 January 2021 | 927,420 |
| Additions | 60,084 |
| Disposals | (2,322) |
| Depreciation for the year | (32,626) |
| As at 31 December 2021 and 1 January 2022 | 952,556 |
| Additions | 22,547 |
| Disposals | (8,599) |
| Depreciation for the year | (32,738) |
| As at 31 December 2022 | 933,766 |

Right-of-use assets of approximately RMB933,766,000 (2021: RMB952,556,000) represents land use rights located in the PRC.

During the year ended 31 December 2022, expense relating to short-term leases with lease terms end within 12 months and leases of low-value assets amounted to approximately RMB2,530,000 (2021: RMB10,283,000). The total cash outflow for leases during the year amounted to approximately RMB22,530,000 (2021: RMB70,367,000), after offsetting the lease liabilities of approximately RMB12,635,000 (2021: RMB11,701,000) against other payable.

Additions to the right-of-use assets for the year ended 31 December 2022 amounted to approximately RMB22,547,000, in which RMB20,000,000 was paid on the commencement date of the lease.

The remaining lease periods of the existing leases range from 16 to 57 years.

## 18. EXPLORATION AND EVALUATION ASSETS

| | RMB'000 |
|---|---|
| As at 1 January 2021 | 11,946 |
| Additions | 8,558 |
| Transfer to mining right (note 19) | (15,325) |
| As at 31 December 2021 and 1 January 2022 | 5,179 |
| Additions | 7,863 |
| Transfer to mining right (note 19) | (4,844) |
| As at 31 December 2022 | 8,198 |

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. INTANGIBLE ASSETS

| | Mining rights RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|
| **COST** | | | |
| At 1 January 2021 | 1,267,227 | 17,424 | 1,284,651 |
| Additions | 162,004 | 2,058 | 164,062 |
| Transfer from exploration and evaluation assets (note 18) | 15,325 | – | 15,325 |
| At 31 December 2021 and 1 January 2022 | 1,444,556 | 19,482 | 1,464,038 |
| Additions | – | 9,937 | 9,937 |
| Transfer from exploration and evaluation assets (note 18) | 4,844 | – | 4,844 |
| At 31 December 2022 | 1,449,400 | 29,419 | 1,478,819 |
| **ACCUMULATED AMORTISATION AND IMPAIRMENT** (note) | | | |
| At 1 January 2021 | 670,308 | 15,548 | 685,856 |
| Amortisation for the year | 60,803 | 1,239 | 62,042 |
| At 31 December 2021 and 1 January 2022 | 731,111 | 16,787 | 747,898 |
| Amortisation for the year | 71,074 | 3,385 | 74,459 |
| Impairment loss recognised in profit or loss | 5,228 | – | 5,228 |
| At 31 December 2022 | 807,413 | 20,172 | 827,585 |
| **CARRYING VALUES** | | | |
| At 31 December 2022 | 641,987 | 9,247 | 651,234 |
| At 31 December 2021 | 713,445 | 2,695 | 716,140 |

Note: During the year ended 31 December 2022, the Group recognised on impairment losses of mining rights of RMB5,228,000 (2021: nil) in relation to certain of the Group's copper mines. The aggregate amount of impairment loss attributed to mining rights is RMB276,483,000 (2021: RMB271,255,000) as at 31 December 2022. Details are set out in note 16 to the consolidated financial statements.

## 20. INVESTMENTS IN JOINT VENTURES

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

| | 2022 RMB'000 | 2021 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 recognising 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:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Accumulated unrecognised share of loss: | | |
| At 1 January | **85,740** | 85,651 |
| Unrecognised share of (profit) loss for the year | **(4,084)** | 89 |
| At 31 December | **81,656** | 85,740 |

## 21. DEFERRED TAX

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Deferred tax assets | **99,970** | 60,638 |
| Deferred tax liabilities | **–** | – |
| | **99,970** | 60,638 |

## 21. DEFERRED TAX (Continued)

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

### Deferred tax assets

| | Accrued expenses RMB'000 | Provision for mine rehabilitation, restoration and dismantling RMB'000 | Early retirement obligations RMB'000 | Impairment losses RMB'000 | Write-down of inventories RMB'000 | Tax losses RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 6,629 | 12,540 | 29 | 60,994 | 5,160 | 8 | 2,890 | 88,250 |
| Credited (charged) to profit or loss | 3,936 | 496 | (6) | 3,564 | 696 | – | (609) | 8,077 |
| At 31 December 2021 and 1 January 2022 | 10,565 | 13,036 | 23 | 64,558 | 5,856 | 8 | 2,281 | 96,327 |
| Credited (charged) to profit or loss | 12,865 | 4,876 | (8) | 3,210 | 1,423 | 25,439 | (595) | 47,210 |
| At 31 December 2022 | 23,430 | 17,912 | 15 | 67,768 | 7,279 | 25,447 | 1,686 | 143,537 |

### Deferred tax liabilities

| | Accelerated depreciation RMB'000 | Mining rights RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2021 | (7,158) | (29,079) | (36,237) |
| Credited to profit or loss | – | 548 | 548 |
| At 31 December 2021 and 1 January 2022 | (7,158) | (28,531) | (35,689) |
| Credited (charged) to profit or loss | 544 | (8,422) | (7,878) |
| At 31 December 2022 | (6,614) | (36,953) | (43,567) |

At the end of the reporting period, the Group has unused tax losses of RMB230,216,000 (31 December 2021: RMB10,108,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB102,576,000 (31 December 2021: RMB48,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB127,640,000 (31 December 2021: RMB10,060,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB127,640,000 (31 December 2021: RMB10,060,000) that will expire in 2027.

At the end of the reporting period, the Group has deductible temporary differences of RMB108,054,000 (31 December 2021: RMB111,750,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 21. DEFERRED TAX (Continued)

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 approximately RMB1,414,478,000 as at 31 December 2022 (2021: RMB1,209,656,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 22. INVENTORIES

| | **2022** **RMB'000** | 2021 RMB'000 |
|---|---|---|
| Raw materials | **1,943,602** | 1,230,374 |
| Work in progress | **2,887,930** | 1,671,096 |
| Finished goods | **508,135** | 112,503 |
| Goods in transit | **4,687,109** | 2,811,256 |
| | **10,026,776** | 5,825,229 |

## 23. TRADE AND BILLS RECEIVABLES

| | **2022** **RMB'000** | 2021 RMB'000 |
|---|---|---|
| Trade receivables | **101,494** | 159,042 |
| Less: Allowance for credit losses | **(44,735)** | (76,255) |
| | **56,759** | 82,787 |
| Bills receivables: | | |
| On hand | **–** | 660 |
| Total trade and bills receivables | **56,759** | 83,447 |

As at 31 December 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB101,494,000 (2021: RMB159,042,000).

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 were matured within 1 year.

As at 31 December 2022 and 2021, no bills receivables are discounted to banks due to improvement in debt collection.

## 23. TRADE AND BILLS RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables, net of allowance for credit losses, 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.

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Within 1 year | **38,082** | 75,814 |
| More than 1 year, but less than 2 years | **18,274** | 521 |
| More than 2 years, but less than 3 years | **2** | 5,158 |
| Over 3 years | **401** | 1,294 |
| | **56,759** | 82,787 |

Details of impairment assessment of trade receivables for the years ended 31 December 2022 and 2021 are set out in note 40(b).

Included in the Group's trade and bills receivables, net of allowance for credit losses, are balances with the following related parties:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Trade receivables: | | |
| Fellow subsidiaries | **45,128** | 42,016 |

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:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Denominated in United States dollar ("US$") | **44,887** | 41,551 |

## 24. OTHER DEPOSITS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Classified under non-current assets: | | |
| Deposits for acquisition of property, plant and equipment and intangible assets | **145,058** | 307,741 |
| Deposits for environment rehabilitation (note (a)) | **4,492** | 1,948 |
| Deposits for land restoration (note (b)) | **7,258** | 7,921 |
| | **156,808** | 317,610 |
| Classified under current assets: | | |
| Margin deposits (note (c)) | **687,156** | 299,096 |

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 26).

## 25. PREPAYMENTS AND OTHER RECEIVABLES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Prepayments for inventories | **62,453** | 81,366 |
| Value-added tax recoverable | **445,510** | 95,753 |
| Short-term advances to Daye Group (note (a)) | **–** | 63 |
| Loans to a joint venture (note (b)) | **93,079** | 108,085 |
| Amounts due from joint ventures (note (c)) | **142** | 10,669 |
| Amounts due from fellow subsidiaries (note (c)) | **200** | 1,299 |
| Receivables from brokers | **–** | 10,860 |
| Other receivables | **51,952** | 55,279 |
| | **653,336** | 363,374 |
| Less: Allowance for credit losses on other receivables | **(126,139)** | (150,929) |
| | **527,197** | 212,445 |

Notes:

(a) The short-term advances to Daye Group are unsecured, interest-free and repayable on demand.

(b) The loans to a joint venture are unsecured and carry fixed interest rate ranging from 4.35% to 4.60% (2021: 4.35% to 4.60%) per annum and overdue and credit-impaired as at 31 December 2022 and 2021.

(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 2022 and 2021 are set out in note 40(b).

## 26. DERIVATIVE FINANCIAL INSTRUMENTS

| | Current assets | | Current liabilities | |
|---|---|---|---|---|
| | 2022 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | 2021 RMB'000 |
| Copper futures contracts | **5,622** | 22,236 | **102,907** | 20,066 |
| Gold futures contracts | **107** | 2,183 | **6,151** | 6 |
| Gold forward contracts | **61,030** | 4,076 | **–** | 19,038 |
| Silver futures contracts | **33,380** | 18,064 | **4,558** | 4,708 |
| | **100,139** | 46,559 | **113,616** | 43,818 |

## 26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

| | At 31 December | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Quantity | Contract price (RMB) | Quantity | Contract price (RMB) |
| Copper futures contracts (tonnes) | | | | |
| Buy | **26,525** | **65,776 to 66,169** | 29,665 | 60,976 to 69,905 |
| Sell | **35,455** | **52,029 to 66,289** | 17,850 | 60,815 to 69,750 |
| Gold futures contracts (kg) | | | | |
| Buy | **86** | **409,590** | 19 | 373,620 |
| Sell | **495** | **396,548 to 410,340** | 498 | 377,846 to 383,237 |
| Gold forward contracts (kg) | | | | |
| Buy | **2,650** | **379,700 to 409,170** | 2,950 | 370,160 to 390,150 |
| Silver futures contracts (kg) | | | | |
| Buy | **107,025** | **5,071** | 129,375 | 4,757 to 4,923 |
| Sell | **31,170** | **5,056 to 5,307** | 39,100 | 4,686 to 5,089 |

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.

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.

## 26. 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 | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| Deposits in futures margin accounts (note 24) | **687,156** | 299,096 | **–** | – | **687,156** | 299,096 |
| Derivatives in respect of: | | | **–** | | | |
| Copper futures contracts | **5,622** | 22,236 | **–** | – | **5,622** | 22,236 |
| Gold futures contracts | **107** | 2,183 | **–** | – | **107** | 2,183 |
| Gold forward contracts | **61,030** | 4,076 | **–** | – | **61,030** | 4,076 |
| Silver futures contracts | **33,380** | 18,064 | **–** | – | **33,380** | 18,064 |
| Total | **787,295** | 345,655 | **–** | – | **787,295** | 345,655 |

## 26. 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 At 31 December | | Related amounts not set off in the consolidated statement of financial position: Derivative financial liabilities At 31 December | | Related amounts not set off in the consolidated statement of financial position: Cash collateral received At 31 December | | Net amount At 31 December | |
|---|---|---|---|---|---|---|---|---|
| | 2022 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | 2021 RMB'000 | 2022 RMB'000 | 2021 RMB'000 |
| Counterparty A | 366,694 | 317,149 | (3,568) | (6,630) | – | – | 363,126 | 310,519 |
| Counterparty B | 17,059 | 1,876 | – | – | – | – | 17,059 | 1,876 |
| Counterparty C | 43,970 | 2,201 | – | (2,201) | – | – | 43,970 | – |
| Counterparty D | 1 | 8 | – | – | – | – | 1 | 8 |
| Counterparty E | – | 12,391 | – | (8,922) | – | – | – | 3,469 |
| Counterparty F | – | – | – | – | – | – | – | – |
| Counterparty G | – | 6,058 | – | (4,894) | – | – | – | 1,164 |
| Counterparty H | – | 5,952 | – | (4,334) | – | – | – | 1,618 |
| Counterparty I | 1 | – | – | – | – | – | 1 | – |
| Counterparty J | 359,570 | – | (63,786) | – | – | – | 295,784 | – |
| Others | – | 20 | – | – | – | – | – | 20 |
| | 787,295 | 345,655 | (67,354) | (26,981) | – | – | 719,941 | 318,674 |

## 26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

*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 | |
|---|---|---|---|---|---|---|
| | **2022 RMB'000** | 2021 RMB'000 | **2022 RMB'000** | 2021 RMB'000 | **2022 RMB'000** | 2021 RMB'000 |
| Derivatives in respect of: | | | | | | |
| Copper futures contracts | **102,907** | 20,066 | **–** | – | **102,907** | 20,066 |
| Gold futures contracts | **6,151** | 6 | **–** | – | **6,151** | 6 |
| Gold forward contracts | **–** | 19,038 | **–** | – | **–** | 19,038 |
| Silver futures contracts | **4,558** | 4,708 | **–** | – | **4,558** | 4,708 |
| Total | **113,616** | 43,818 | **–** | – | **113,616** | 43,818 |

*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 received At 31 December | | Net amount At 31 December | |
|---|---|---|---|---|---|---|---|---|
| | **2022 RMB'000** | 2021 RMB'000 | **2022 RMB'000** | 2021 RMB'000 | **2022 RMB'000** | 2021 RMB'000 | **2022 RMB'000** | 2021 RMB'000 |
| Counterparty A | **3,568** | 6,630 | **–** | – | **(3,568)** | (6,630) | **–** | – |
| Counterparty B | **–** | – | **–** | – | **–** | – | **–** | – |
| Counterparty C | **–** | 19,038 | **–** | (2,201) | **–** | – | **–** | 16,837 |
| Counterparty D | **–** | – | **–** | – | **–** | – | **–** | – |
| Counterparty E | **23,471** | 8,922 | **–** | (8,922) | **–** | – | **23,471** | – |
| Counterparty F | **–** | – | **–** | – | **–** | – | **–** | – |
| Counterparty G | **4,958** | 4,894 | **–** | (4,894) | **–** | – | **4,958** | – |
| Counterparty H | **17,833** | 4,334 | **–** | (4,334) | **–** | – | **17,833** | – |
| Counterparty I | **–** | – | **–** | – | **–** | – | **–** | – |
| Counterparty J | **63,786** | – | **–** | – | **(63,786)** | – | **–** | – |
| | **113,616** | 43,818 | **–** | (20,351) | **(67,354)** | (6,630) | **46,262** | 16,837 |

## 27. STRUCTURED BANK DEPOSITS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Structured bank deposits | – | 400,000 |

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 fully redeemed during the year ended 31 December 2022.

## 28. PLEDGED DEPOSITS, AND CASH, DEPOSITS AND BANK BALANCES

### Pledged deposits

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Deposits placed with bank | | |
| Classified under current assets | – | 195 |
| Deposits placed with Finance Company | | |
| Classified under current assets | 24,000 | – |

### Cash, deposits and bank balances

Included in cash, deposits and bank balances as at 31 December 2022 was approximately RMB818,463,000 (2021: RMB789,393,000) placed with Finance Company as saving deposits, which bear interest at rate ranging from 0.52% to 1.32% (2021: 0.53% to 1.50%) per annum and repayable on demand. The remaining bank balances carry interest at rates ranging from 0.01% to 0.35% (2021: 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:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Denominated in US$ | 176,849 | 46,959 |
| Denominated in Hong Kong dollars | 439 | 5,610 |
| | 177,288 | 52,569 |

Details of impairment assessment of bank balances and pledged bank deposits are set out in note 40(b).

## 29. TRADE PAYABLES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Trade payables | **3,590,256** | 1,812,904 |

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

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Within 1 year | **3,576,635** | 1,781,586 |
| More than 1 year, but less than 2 years | **8,890** | 23,814 |
| More than 2 years, but less than 3 years | **665** | 1,685 |
| Over 3 years | **4,066** | 5,819 |
| | **3,590,256** | 1,812,904 |

Included in the Group's trade payables are payables to fellow subsidiaries of approximately RMB135,020,000 (2021: RMB72,296,000). The payables to fellow subsidiaries are unsecured, interest-free and are repayable within one year 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:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Denominated in US$ | **2,885,561** | 1,479,998 |

The average credit period on purchases of goods is ranging from 60 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 30. OTHER PAYABLES AND ACCRUED EXPENSES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Classified under current liabilities: | | |
| Salaries and welfare payables | **155,829** | 93,657 |
| Current portion of deferred income (note 36) | **18,466** | 20,613 |
| Payables for purchase of property, plant and equipment (note (a)) | **934,648** | 243,972 |
| Amounts due to Daye Group (note (b)) | **31,417** | 29,000 |
| Amounts due to joint ventures (note (b)) | **2,299** | 2,299 |
| Land restoration costs payable to a fellow subsidiary | **67,940** | 67,940 |
| Payables for mining rights | **17,681** | 17,159 |
| Value-added tax payables | **11,039** | 143,386 |
| Other payables and accruals | **110,575** | 62,929 |
| Other deposits received | **47,527** | 36,724 |
| | **1,397,421** | 717,679 |
| Balances repayable after one year and classified under non-current liabilities: | | |
| Payables for purchase of property, plant and equipment (note (a)) | **276,333** | 276,333 |
| Payables for mining rights | **96,805** | 114,485 |
| | **373,138** | 390,818 |

Notes:

(a) Included in payables for purchase of property, plant and equipment are payables to fellow subsidiaries of approximately RMB806,069,000 (2021: RMB412,843,000) in relation to the construction work conducted by these fellow subsidiaries. All of the payables to fellow subsidiaries are interest-free, 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.

## 31. CONTRACT LIABILITIES

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Contract liabilities in respect of sales of goods at 31 December | **50,461** | 231,703 |
| Revenue recognised during the year in respect of sales of goods that was included in the contract liabilities at the beginning of year | **228,850** | 40,602 |

The Group receives range from 5% to 10% of the contract values as initial payments from certain customers when they sign the contracts for sales of goods. The receipt in advance results in contract liabilities being recognised until the customers obtain control of the copper cathodes.

The significant changes in contract liabilities were mainly due to decrease in deposit received from customers in relation to the sales of goods.

## 32. BANK AND OTHER BORROWINGS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Bank borrowings: | | |
| Unsecured | **9,877,062** | 5,774,011 |
| Other borrowings: | | |
| Loans from Daye Group, unsecured (note (a)) | **655,156** | 512,386 |
| Loans from Finance Company, unsecured (note (a)) | **–** | 240,289 |
| Loans from a fellow subsidiary, unsecured (note (a)) | **989** | 13,113 |
| Gold loans, unsecured (note (b)) | **1,104,672** | 1,107,100 |
| Other loans, unsecured (note (c)) | **172,147** | 504,702 |
| | **11,810,026** | 8,151,601 |

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Bank borrowings carrying amounts repayable*: | | |
| Within one year | **5,297,710** | 1,502,342 |
| More than one year, but not exceeding two years | **1,447,868** | 3,163,399 |
| More than two years, but not exceeding five years | **3,011,684** | 520,470 |
| More than five years | **119,800** | 587,800 |
| | **9,877,062** | 5,774,011 |
| Other borrowings carrying amounts repayable*: | | |
| Within one year | **1,397,857** | 1,497,101 |
| More than one year, but not exceeding two years | **61,750** | 818,739 |
| More than two years, but not exceeding five years | **473,357** | 61,750 |
| | **1,932,964** | 2,377,590 |
| Total bank and other borrowings | **11,810,026** | 8,151,601 |
| Less: Amounts due within one year shown under current liabilities | **(6,695,567)** | (2,999,443) |
| Amount shown under non-current liabilities | **5,114,459** | 5,152,158 |

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

## 32. BANK AND OTHER BORROWINGS (Continued)

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Fixed-rate borrowings | **7,359,385** | 4,393,063 |
| Variable-rate borrowings | **4,450,641** | 3,758,538 |
| | **11,810,026** | 8,151,601 |

| | 2022 | 2021 |
|---|---|---|
| Effective interest rate: (per annum) | | |
| Fixed-rate borrowings | **1,50% to 4.85%** | 1.50% to 7.35% |
| Variable-rate borrowings* | **2.8% to 4.15%** | 2.6% to 4.65% |

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

Notes:

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

| Interest rate | Terms of repayment | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| ***Daye Group*** | | | |
| Fixed rate: | | | |
| At 3.92% per annum | Repayable on 30 December 2025 | **473,358** | – |
| At 3.70% per annum | Repayable on 17 March 2023 | **90,000** | – |
| At 4.60% per annum | Repayable on 24 September 2023 | **90,000** | – |
| At 4.75% per annum | Repayable on 29 August 2021<br>(2021: Repayable on 29 August 2020)* | **1,798** | 1,767 |
| At 3.92% per annum | Repayable on 30 December 2023<br>(2021: Repayable on 30 December 2023) | **–** | 420,399 |
| At 6.00% per annum | Repayable on 23 August 2022 | **–** | 50,143 |
| At 6.12% per annum | Repayable from 19 January 2022 to 22 May 2022 | **–** | 40,077 |
| | | **655,156** | 512,386 |
| ***Finance Company*** | | | |
| Fixed rate: | | | |
| At 3.85% per annum | Repayable on 28 September 2022 to 27 September 2023 | **–** | 150,160 |
| At 5.15% per annum | Repayable on 26 March 2022 | **–** | 90,129 |
| | | **–** | 240,289 |
| ***A fellow subsidiary*** | | | |
| Floating rate: | | | |
| At 3.92% per annum | Repayable on 1 January 2022* | **989** | 11,773 |
| At 3.85% per annum | Repayable on 4 December 2021 | **–** | 1,340 |
| | | **989** | 13,113 |

* The loans were matured during the year ended 31 December 2022 and not repaid by the Group as at 31 December 2022.

## 32. BANK AND OTHER BORROWINGS (Continued)

Notes: (continued)

(b) During the year ended 31 December 2022, loss arising from change in fair value of gold loans designated as financial liabilities at FVTPL amounted to approximately RMB73,105,000 (2021: gains of approximately RMB59,218,000). The above gains and losses have been charged to profit or loss. The gold loans bear interest ranging from 1.5% to 2% (2021: 1.5% to 2.4%) per annum and approximately RMB1,104,672,000 (2021: RMB1,107,100,000) 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.

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

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Denominated in US$ | **1,059** | 1,291 |

As at 31 December 2022, the Group had approximately RMB17,272,208,000 (2021: RMB14,703,970,000) of available undrawn facilities.

As at 31 December 2022, the Group's bank borrowings with carrying amount of approximately RMB2,749,517,000 (2021: RMB1,995,944,000) are subject to the fulfillment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 40(b). As at 31 December 2022 and 2021, none of the covenants relating to drawn down facilities had been breached.

## 33. LEASE LIABILITIES

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| **Lease liabilities payable:** | | |
| Within one year | **6,037** | 4,946 |
| Within a period of more than one year but not more than two years | **6,332** | 5,188 |
| Within a period of more than two years but not more than five years | **17,981** | 17,141 |
| Within a period of more than five years | **104,297** | 110,580 |
| | **134,647** | 137,855 |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(6,037)** | (4,946) |
| Amount due for settlement after 12 months shown under non-current liabilities | **128,610** | 132,909 |

## 33. LEASE LIABILITIES (Continued)

### Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of RMB134,647,000 are recognised with related right-of-use assets of RMB143,881,000 (2021: lease liabilities of RMB137,855,000 and related right-of-use assets of RMB129,729,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

During the year ended 31 December 2022, the Group entered into a number of new lease agreements in respect of renting land use rights and recognised lease liability of approximately HK$2,547,000 (2021: nil).

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

| | RMB'000 |
|---|---|
| As at 1 January 2021 | 52,816 |
| Interest cost charged to profit or loss (note 10) | 1,528 |
| As at 31 December 2021 and 1 January 2022 | 54,344 |
| Additional provision | 17,738 |
| Interest cost charged to profit or loss (note 10) | 1,574 |
| As at 31 December 2022 | 73,656 |

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% (2021: 3%) per annum.

## 35. PROMISSORY NOTE

| | Principal amount RMB'000 | Interest accrued RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2021 | 891,537 | 161,966 | 1,053,503 |
| Interest charged to profit or loss (note 10) | – | 42,349 | 42,349 |
| At 31 December 2021 and 1 January 2022 | 891,537 | 204,315 | 1,095,852 |
| Interest charged to profit or loss (note 10) | – | 42,348 | 42,348 |
| At 31 December 2022 | 891,537 | 246,663 | 1,138,200 |

A promissory note with a principal amount of RMB891,537,000 was issued to China Times on 7 March 2017 (the "Promissory Note"). The principal amount together with accrued interest of the Promissory Note should be paid either in full or by installments no later than 6 March 2022 and have been further extended to 7 March 2027 on 4 March 2022. The interest payable under the Promissory Note shall accrue at the rate of 4.75% per annum on the outstanding principal amount. The modification was not accounted for as an extinguishment and no gain or loss on modification of terms was recognised in profit and loss for the modification.

## 35. PROMISSORY NOTE (Continued)

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.

## 36. DEFERRED INCOME

| | RMB'000 |
|---|---|
| As at 1 January 2021 | 190,231 |
| Government grants obtained | 50 |
| Credited to profit or loss (note 7) | (23,111) |
| As at 31 December 2021 and 1 January 2022 | 167,170 |
| Government grants obtained | 8,300 |
| Credited to profit or loss (note 7) | (27,302) |
| As at 31 December 2022 | 148,168 |

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Analysed as: | | |
| Current (note 30) | **18,466** | 20,613 |
| Non-current | **129,702** | 146,557 |
| | **148,168** | 167,170 |

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.

## 37. EARLY RETIREMENT OBLIGATIONS

| | RMB'000 |
|---|---|
| As at 1 January 2021 | 111,940 |
| Interest cost charged to profit or loss (note 10) | 2,690 |
| Actuarial gains recognised during the year | (2,220) |
| Benefits paid | (28,470) |
| As at 31 December 2021 and 1 January 2022 | 83,940 |
| Interest cost charged to profit or loss (note 10) | 1,830 |
| Actuarial gains recognised during the year | (2,010) |
| Benefits paid | (21,550) |
| As at 31 December 2022 | 62,210 |

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Analysed as: | | |
| Current | **18,010** | 21,530 |
| Non-current | **44,200** | 62,410 |
| | **62,210** | 83,940 |

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

The above obligation was determined based on actuarial valuations performed by an independent firm of actuaries, Towers Watson, Hong Kong, using the projected unit credit method. The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | 2022<br>% | 2021<br>% |
|---|---|---|
| Discount rate (per annum) | **2.50** | 2.50 |
| Expected annual salary incremental rate (per annum) | **10** | 10 |

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

## 38. SHARE CAPITAL

### Ordinary share capital of the Company

| | Number of shares | Amount HK$'000 |
|---|---|---|
| *Ordinary shares of HK$0.05 each* | | |
| Authorised: | | |
| At 1 January 2021, 31 December 2021 and 31 December 2022 | 30,000,000,000 | 1,500,000 |
| | | RMB'000 |
| Issued and fully paid: | | |
| At 1 January 2021, 31 December 2021 and 31 December 2022 | 17,895,579,706 | 727,893 |

There was no movement in the Company's share capital for both years ended 31 December 2022 and 2021.

## 39. CAPITAL RISK 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 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 of the Company consider the cost of capital and the risks associated with each class of capital.

The gearing ratio of the Group at the end of the reporting period was as follows:

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Debts | (i) | **13,082,873** | 9,385,308 |
| Less: Pledged deposits, and cash, deposits and bank balances | | **(844,040)** | (814,997) |
| Net debts | | **12,238,833** | 8,570,311 |
| Equity attributable to owners of the Company | (ii) | **3,097,093** | 2,986,511 |
| Net debts to equity ratio | | **395.17%** | 286.97% |

Notes:

(i) Debts comprise non-current and current bank and other borrowings, lease liabilities and promissory note as detailed in notes 32, 33 and 35, respectively.

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

## 40. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Financial assets at amortised cost | **1,607,189** | 1,232,866 |
| Financial asset at FVTPL: | | |
| Derivative financial instruments | **100,139** | 46,559 |
| Structured bank deposits | **–** | 400,000 |
| **Financial liabilities** | | |
| Financial liabilities at amortised cost | **17,174,864** | 10,897,755 |
| Financial liabilities at FVTPL: | | |
| Derivative financial instruments | **113,616** | 43,818 |
| Designated at FVTPL – Gold loans* | **1,104,672** | 1,107,100 |

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

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

The Group's major financial instruments include trade and bills receivables, margin deposits, other receivables, structured bank deposits, pledged deposits, cash, deposits and bank balances, trade payables, other payables, bank and other borrowings (including gold loans), promissory note and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Commodity price risk*

The Group is principally engaged in the mining and processing of mineral ores and trading of non-ferrous metal in the PRC. 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 of the Company to manage the exposure with respect to its inventories, forecast sell or firm sell commitments mainly includes copper and certain other metal products. The Group does not enter into any commodity derivative contracts in respect of iron ores and other commodities, except the commodities below.

The Group enters into copper and other metal derivative contracts for the purpose of managing 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.

## 40. FINANCIAL INSTRUMENTS (Continued)

### (b) 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 being held constant, the Group's profit after tax would have been affected as set out below:

| | **2022 Increase (decrease) in profit after tax RMB'000** | 2021 (Decrease) increase in profit after tax RMB'000 |
|---|---|---|
| The prices of the commodity derivative contracts: | | |
| Increased by 10% | **5,588** | (1,328) |
| Decreased by 10% | **(5,588)** | 1,328 |

#### *Interest rate risk*

The Group is exposed to interest rate risk on deposits, bank balances, interest-bearing other payables, borrowings and promissory note. Deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits, bank balances, interest-bearing other payables, promissory note and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's margin deposits, pledged deposits, cash, deposits and bank balances, interest-bearing other payables, bank and other borrowings and promissory note have been disclosed in notes 24, 28, 30, 32 and 35, 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 and BOC.

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 after tax as a result of the change in interest expense for floating rate borrowings after consideration of capitalisation of borrowing costs:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **+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 (Decrease) increase in profit after tax RMB'000 | -100 basis points (Decrease) increase in profit after tax RMB'000 |
| Financial liabilities: | | | | |
| Bank and other borrowings | **(33,380)** | **33,380** | (28,189) | 28,189 |

## 40. FINANCIAL INSTRUMENTS (Continued)

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

| | **2022<br>(Decrease)<br>increase in<br>profit after tax<br>RMB'000** | 2021<br>(Decrease)<br>increase in<br>profit after tax<br>RMB'000 |
|---|---|---|
| RMB – US$ | | |
| Appreciation of RMB by 5% | **99,933** | 52,229 |
| Depreciation of RMB by 5% | **(99,933)** | (52,229) |

*Credit risk and impairment assessment*

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2022, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from cash, deposits and bank balances, trade and bills receivables, other receivables, loan to a joint venture, amounts due from joint ventures, amounts due from fellow subsidiaries, amounts due from Daye Group, pledged deposits and other deposits. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history. The credit risk arising from sales to major non-ferrous metals customers are managed by contracts that stipulate an upfront payment of significant portion of the amount of each sale and the remaining balance is normally received within 6 months to 1 year after delivery. The Group performs periodic credit evaluations of its customers and slow moving debts, if any, are regularly monitored with timely follow-up action taken.

## 40. FINANCIAL INSTRUMENTS (Continued)

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

*Credit risk and impairment assessment (Continued)*

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.

For trade receivables, the Group has assessed individually the loss allowance at lifetime ECL. The Group determines the ECL based on historical credit loss experience of receivables with similar credit risk characteristics and adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

During the year ended 31 December 2022, the Group recognised a reversal of impairment losses of approximately RMB31,520,000 (2021: impairment loss of approximately RMB25,685,000) for trade receivables measured at amortised cost based on individual assessment taking into account the past due status of debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Bills receivables are only drawn from major state-owned financial institutions and Finance Company in the PRC. Substantially all margin deposits, structured bank deposits, pledged deposits, and cash, deposits and bank balances as detailed in notes 24, 27 and 28 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 other receivables, loans to a joint venture and amounts due from joint ventures, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. 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.

Management considered amounts due from fellow subsidiaries and amount due from Daye Group to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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 had concentration of credit risk as 25% (2021: 21%) and 81% (2021: 83%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors, 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.

## 40. FINANCIAL INSTRUMENTS (Continued)

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

*Credit risk and impairment assessment (Continued)*

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 | 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 |

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

| | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|---|
| Financial assets at amortised cost | | | | |
| Trade receivables (note 23) | Low risk | Lifetime ECL – not credit impaired | **38,082** | 64,008 |
| | Doubtful | Lifetime ECL – not credit impaired | **18,677** | 12,523 |
| | Loss | Lifetime ECL – credit impaired | **44,735** | 82,511 |
| | | | **101,494** | 159,042 |
| Bills receivables (note 23) | Low risk | 12-month ECL | **–** | 660 |
| Other receivables (note 25) | Low risk | 12-month ECL | **12,347** | 29,977 |
| | Doubtful | Lifetime ECL – not credit impaired | **2,863** | – |
| | Loss | Lifetime ECL – credit impaired | **36,742** | 36,162 |
| | | | **51,952** | 66,139 |

## 40. FINANCIAL INSTRUMENTS (Continued)

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

*Credit risk and impairment assessment (Continued)*

| | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|---|
| Loans to a joint venture (note 25) | Loss | Lifetime ECL – credit impaired | **93,079** | 108,085 |
| Amounts due from joint ventures (note 25) | Loss | Lifetime ECL – credit impaired | **142** | 10,669 |
| Amounts due from fellow subsidiaries (note 25) | Low risk | 12-month ECL | **200** | 1,299 |
| Amounts due from Daye Group (note 25) | Low risk | 12-month ECL | **–** | 63 |
| Financial assets at amortised cost | | | | |
| Pledged deposits (note 28) | Low risk | 12-month ECL | **24,000** | 195 |
| Other deposits (note 24) | Low risk | 12-month ECL | **687,156** | 299,096 |
| Cash, deposits and bank balances (note 28) | Low risk | 12-month ECL | **820,040** | 814,802 |

## 40. FINANCIAL INSTRUMENTS (Continued)

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

*Credit risk and impairment assessment (Continued)*

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 2021 | 542 | 50,028 | 50,570 |
| Impairment losses recognised | – | 25,685 | 25,685 |
| As at 31 December 2021 and 1 January 2022 | 542 | 75,713 | 76,255 |
| Transfer to Lifetime-ECL (credit impaired) | (542) | 542 | – |
| Impairment losses reversed | – | (31,520) | (31,520) |
| As at 31 December 2022 | **–** | **44,735** | **44,735** |

The decrease in loss allowance during the year ended 31 December 2022 is mainly due to decrease in gross amount of trade receivables.

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 2021 | – | – | 126,251 | 126,251 |
| Impairment losses recognised | – | – | 24,678 | 24,678 |
| As at 31 December 2021 and 1 January 2022 | – | – | 150,929 | 150,929 |
| Impairment losses reversed, net | – | – | (24,790) | (24,790) |
| As at 31 December 2022 | **–** | **–** | **126,139** | **126,139** |

## 40. FINANCIAL INSTRUMENTS (Continued)

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

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

During the year ended 31 December 2022, the Group recognised a reversal of impairment allowance of approximately RMB24,790,000 (2021: impairment allowance of approximately RMB24,678,000) for other receivables, and loans to a joint venture and amounts due from a joint venture which was made based on the individual assessment.

#### *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 of the Company 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 2022 and 2021.

The directors of the Company have prepared a working capital forecast of the Group covering a period of not less than 12 months from 31 December 2022. 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 bank borrowings to be raised from unutilised banking facilities. The directors of the Company, after taking into account the reasonably possible changes in the operational performance and 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, lease 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 including interest and principal of 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.

## 40. FINANCIAL INSTRUMENTS (Continued)

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

*Liquidity risk (Continued)*

| | 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 2022 | | | | | | | |
| **Non-derivative financial liabilities:** | | | | | | | |
| Trade payables | – | 3,590,256 | – | – | – | 3,590,256 | 3,590,256 |
| Other payables | – | 1,371,345 | 297,443 | 63,330 | 21,110 | 1,753,228 | 1,741,054 |
| Bank and other borrowings | 1.5 to 4.85 | 6,975,852 | 1,514,944 | 3,570,092 | 390,056 | 12,450,944 | 11,810,026 |
| Promissory note | 4.75 | – | – | 1,349,940 | – | 1,349,940 | 1,138,200 |
| | | 11,937,453 | 1,812,387 | 4,983,362 | 411,166 | 19,144,368 | 18,279,536 |
| Lease liabilities | 4.9 | 12,634 | 12,634 | 35,103 | 140,413 | 200,784 | 134,647 |
| Derivatives – net settlement | | 113,616 | – | – | – | 113,616 | 113,616 |

| | 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 2021 | | | | | | | |
| **Non-derivative financial liabilities:** | | | | | | | |
| Trade and bills payables | – | 1,812,904 | – | – | – | 1,812,904 | 1,812,904 |
| Other payables | – | 557,631 | 297,443 | 63,330 | 42,220 | 960,624 | 944,498 |
| Bank and other borrowings | 1.5-7.35 | 3,237,196 | 4,139,247 | 679,709 | 616,971 | 8,673,123 | 8,151,601 |
| Promissory note | 4.75 | 1,103,194 | – | – | – | 1,103,194 | 1,095,852 |
| | | 6,710,925 | 4,436,690 | 743,039 | 659,191 | 12,549,845 | 12,004,855 |
| Lease liabilities | 4.9 | 11,701 | 11,701 | 35,103 | 152,113 | 210,618 | 137,855 |
| Derivatives – net settlement | | 43,818 | – | – | – | 43,818 | 43,818 |

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.

## 40. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements recognised in the consolidated statement of financial position

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

| | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 31 December 2022 | | | | |
| *Financial assets* | | | | |
| Commodity future contracts | **–** | **39,109** | **–** | **39,109** |
| Other derivative financial instruments | **–** | **61,030** | **–** | **61,030** |
| *Financial liabilities* | | | | |
| Commodity future contracts | **–** | **113,616** | **–** | **113,616** |
| Gold loans | **–** | **1,104,672** | **–** | **1,104,672** |
| At 31 December 2021 | | | | |
| *Financial assets* | | | | |
| Commodity future contracts | – | 42,483 | – | 42,483 |
| Other derivative financial instruments | – | 4,076 | – | 4,076 |
| Structured bank deposits | – | 400,000 | – | 400,000 |
| *Financial liabilities* | | | | |
| Commodity future contracts | – | 24,780 | – | 24,780 |
| Other derivative financial instruments | – | 19,038 | – | 19,038 |
| Gold loans | – | 1,107,100 | – | 1,107,100 |

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).

## 40. FINANCIAL INSTRUMENTS (Continued)

### (c) Fair value measurements recognised in the consolidated statement of financial position (Continued)

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

| | | Fair value As at 31 December 2022 RMB'000 | 2021 RMB'000 | Fair value hierarchy | Valuation technique |
|---|---|---|---|---|---|
| Copper futures contracts: | Assets | **5,622** | 22,236 | Level 2 | Note 1 |
| | Liabilities | **102,907** | 20,066 | Level 2 | Note 1 |
| Gold futures contracts: | Assets | **107** | 2,183 | Level 2 | Note 1 |
| | Liabilities | **6,151** | 6 | Level 2 | Note 1 |
| Gold forward contracts: | Assets | **61,030** | 4,076 | Level 2 | Note 3 |
| | Liabilities | **–** | 19,038 | Level 2 | Note 3 |
| Silver futures contracts: | Assets | **33,380** | 18,064 | Level 2 | Note 1 |
| | Liabilities | **4,558** | 4,708 | Level 2 | Note 1 |
| Gold loans: | Liabilities | **1,104,672** | 1,107,100 | Level 2 | Note 3 |
| Structured bank deposits: | Assets | **–** | 400,000 | Level 2 | Note 4 |

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.

There were no transfers between Level 1 and 2 for the years ended 31 December 2022 and 2021, and there were no transfers into or out of Level 3 during both years.

The directors of the Company 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.

## 41. 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 consolidated statement of cash flows as cash flows from financing activities.

| | Bank and other borrowings RMB'000 | Lease liabilities RMB'000 | Promissory note RMB'000 | Amounts due to a joint venture and Daye Group under other payables and accrued expenses RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2021 | 6,995,672 | 142,570 | 1,053,503 | 39,912 | 8,231,657 |
| Financing cash flows | 933,684 | – | – | (8,613) | 925,071 |
| Settled through current account balances with Daye Group | – | (11,701) | – | – | (11,701) |
| Fair value adjustments | (59,218) | – | – | – | (59,218) |
| Interest expenses | 274,451 | 6,986 | 42,349 | – | 323,786 |
| Exchange differences | 7,012 | – | – | – | 7,012 |
| At 31 December 2021 and 1 January 2022 | 8,151,601 | 137,855 | 1,095,852 | 31,299 | 9,416,607 |
| Financing cash flows | 3,246,356 | – | – | 2,417 | 3,248,773 |
| Settled through current account balances with Daye Group | – | (12,635) | – | – | (12,635) |
| Fair value adjustments | 73,105 | – | – | – | 73,105 |
| Interest expenses | 340,337 | 6,880 | 42,348 | – | 389,565 |
| Non-cash changes | – | 2,547 | – | – | 2,547 |
| Deregistration of subsidiaries (note 47) | (1,373) | – | – | – | (1,373) |
| At 31 December 2022 | 11,810,026 | 134,647 | 1,138,200 | 33,716 | 13,116,589 |

## 42. CAPITAL COMMITMENTS

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment | **1,472,687** | 2,527,961 |

## 43. 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 | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|---|
| **Income** | | | | |
| Sales of non-ferrous metals | (i) | Daye Group* | **12** | – |
| | (i) | Fellow subsidiaries* | **6,593,425** | 5,385,522 |
| Sales of other materials | (i) | Fellow subsidiaries* | **15,079** | 41,398 |
| Rendering of services | (i) | Daye Group* | **58** | – |
| | (i) | Fellow subsidiaries* | **1,911** | 762 |
| Interest income | (ii) | Finance Company | **7,219** | 9,265 |
| Rental income for leasing of assets | (iii) | Fellow subsidiaries* | **2,160** | 2,839 |
| Rental income for leasing of lands | (iii) | Fellow subsidiaries | **924** | 924 |

## 43. 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 | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|---|
| **Expenses:** | | | | |
| Transportation fees | (i) | Fellow subsidiaries* | **57,863** | 100,661 |
| Utilities fees | (i) | Fellow subsidiaries* | **334,769** | 318,148 |
| | (i) | Daye Group* | **794** | – |
| Purchases of non-ferrous metals | (i) | Daye Group* | **–** | 54,945 |
| | (i) | Fellow subsidiaries* | **2,704,243** | 1,281,751 |
| Purchase of other products | (i) | Fellow subsidiaries* | **15,841** | 34,044 |
| Other service expense | (i) | Fellow subsidiaries* | **12,602** | 13,274 |
| | (i) | Daye Group* | **2,164** | – |
| Rental expense for leasing of lands | (iii) | Fellow subsidiaries* | **849** | 933 |
| | (iii) | Daye Group* | **7,207** | 7,207 |
| Rental expense for leasing of assets | (iii) | Fellow subsidiaries* | **2,811** | 2,162 |
| Interest expense | (iv) | Daye Group | **15,025** | 18,344 |
| | (iv) | Finance Company* | **6,839** | 14,063 |
| | (iv) | Fellow subsidiaries* | **270** | 376 |
| | (v) | China Times | **42,348** | 42,349 |
| Interest expense on lease liabilities | (vi) | Daye Group | **6,755** | 6,986 |
| | (vi) | Fellow subsidiaries | **125** | – |
| **Capital expenditures:** | | | | |
| Construction contract fees | (i) | Fellow subsidiaries* | **1,378,613** | 1,371,500 |
| Other service fees | (i) | Fellow subsidiaries* | **30,430** | 80,210 |

* 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.

## 43. 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 and short-term advances to Daye Group. Further details of these balances at the end of the reporting period are set out in notes 25 and 28, 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.

(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 32 and 30, 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 35.

(vi) The Group leases certain lands from Daye Group. As at 31 December 2022, the right-of-use assets related to lease from Daye Group amounted to approximately RMB122,521,000 (2021: RMB129,729,000), and the related lease liabilities amounted to approximately RMB132,909,000 (2021: RMB137,855,000). During the year, lease payments of approximately RMB11,701,000 (2021: RMB11,701,000) 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 of the Company are of the opinion that separate disclosures would not be meaningful.

### Compensation of key management personnel

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.

## 44. RETIREMENT BENEFITS SCHEME

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. No forfeited contribution is available to reduce the contribution payable in the future years.

The total expenses recognised in the consolidated statement of profit or loss amounted to approximately RMB105,992,000 for the year ended 31 December 2022 (2021: RMB127,442,000).

## 45. DETAILS OF SUBSIDIARIES

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

| Name of subsidiary | Place of incorporation/ establishment and principal country of operation | Class of shares held | Issued and fully paid-up capital | Proportion of ownership interest held by the Company At 31 December | | Proportion of voting power held by the Company At 31 December | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | **2022** | 2021 | **2022** | 2021 | |
| China Daye Hong Kong International Trading Ltd. (Note (a)) # | British Virgin Islands/Hong Kong | Ordinary | 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 | Registered capital | RMB6,800,000 | **95.35%** | 95.35% | **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 | Registered capital | RMB1,490,977,877 | **95.35%** | 95.35% | **95.35%** | 95.35% | Mining and processing of mineral ores and trading of metal concentrates |
| 陽新弘盛銅業有限公司 (Yangxin Hongsheng Copper Industry Company Limited*) ("Yangxin Hongsheng") (Notes (b) and (c)) | PRC/PRC | Registered capital | RMB2,300,000,000 (2021: RMB2,200,000,000) | **49.58%** | 49.58% | **52%** | 52% | 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 | Registered capital | RMB226,000,000 | **55%** | 55% | **55%** | 55% | Mineral and processing of mineral ores |
| 昆明大鑫貿易有限公司 (Kunming Daxin Trading Co., Ltd.*) ("Kunming Daxin") (Notes (b),(c) and (e)) # | PRC/PRC | Registered capital | RMB10,000,000 | **-** | 48.63% | **-** | 51% | Trading of metals and minerals |
| 大冶銅貴建材有限公司 (Daye Tonggui Building Material Company Limited*) ("Daye Tonggui") (Notes (b) and (c) and (e)) | PRC/PRC | Registered capital | RMB40,000,000 | **48.63%** | 48.63% | **51%** | 51% | Trading of building material |
| Reservoir (Mongolia) Limited (Note (b)) # | The Republic of Mongolia/ The Republic of Mongolia | Ordinary | 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.

\# The subsidiaries were deregistered during the year.

## 45. 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.

(e) These subsidiaries are indirectly held by Hubei Daye through 51% equity interest.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length. None of the subsidiaries had any debt securities outstanding as at 31 December 2022 and 2021 nor 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 2022 and 2021 | Profit allocated to non-controlling interests 2022 RMB'000 | 2021 RMB'000 | Accumulated non-controlling interests 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|---|---|---|
| Hubei Daye* | PRC | 4.65% | **(29,006)** | 13,622 | **1,208,972** | 1,124,294 |
| Hui Xiang | PRC | 45% | **(82,623)** | 36,428 | **(19,150)** | 63,473 |
| Individually immaterial subsidiaries with non-controlling interests | | | **(5,697)** | 90 | **(13,307)** | (16,904) |
| Total | | | **(117,326)** | 50,140 | **1,176,515** | 1,170,863 |

* As at 31 December 2022, capital injection from non-controlling interests of Yangxin Hongsheng amounted to RMB100,000,000 (2021: RMB340,000,000). During the year ended 31 December 2022, Daye Tonggui was established of which Hubei Daye hold 51% of its equity interests.

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.

## 45. DETAILS OF SUBSIDIARIES (CONTINUED)

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

*Hubei Daye*

| | At 31 December 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Current assets | **12,501,173** | 7,884,031 |
| Non-current assets | **10,494,146** | 8,895,620 |
| Current liabilities | **(11,481,926)** | (5,625,163) |
| Non-current liabilities | **(5,558,618)** | (5,542,843) |
| Net assets | **5,954,775** | 5,611,645 |
| Equity attributable to owners of the Company | **4,745,803** | 4,487,351 |
| Non-controlling interests of Hubei Daye | **229,400** | 218,837 |
| Non-controlling interests of Hubei Daye's subsidiaries | **979,572** | 905,457 |
| Total equity | **5,954,775** | 5,611,645 |
| Revenue | **33,489,503** | 35,267,274 |
| Expenses | **(33,260,057)** | (34,927,806) |
| Profit for the year | **229,446** | 339,468 |
| Profit (loss) attributable to: | | |
| Owners of the Company | **258,452** | 325,846 |
| Non-controlling interests of Hubei Daye | **10,669** | 15,785 |
| Non-controlling interests of Hubei Daye's subsidiaries | **(39,675)** | (2,163) |
| | **229,446** | 339,468 |
| Dividends paid to non-controlling interests | **–** | – |
| Net cash (outflow) inflow from: | | |
| Operating activities | **(1,900,771)** | 869,053 |
| Investing activities | **(1,387,723)** | (1,583,979) |
| Financing activities | **3,336,146** | 1,187,962 |
| Net cash inflow | **47,652** | 473,036 |

## 45. DETAILS OF SUBSIDIARIES (CONTINUED)

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

*Hui Xiang*

| | At 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | **RMB'000** | RMB'000 |
| Current assets | **25,499** | 83,555 |
| Non-current assets | **952,223** | 1,049,240 |
| Current liabilities | **(547,125)** | (504,543) |
| Non-current liabilities | **(473,154)** | (487,202) |
| Net (liabilities) assets | **(42,557)** | 141,050 |
| Equity attributable to owners of the Company | **(23,407)** | 77,577 |
| Non-controlling interests of Hui Xiang | **(19,150)** | 63,473 |
| Total equity | **(42,557)** | 141,050 |
| Revenue | **131,186** | 373,946 |
| Expenses | **(314,793)** | (292,996) |
| (Loss) profit for the year | **(183,607)** | 80,950 |
| (Loss) profit attributable to: | | |
| Owners of the Company | **(100,984)** | 44,522 |
| Non-controlling interests of Hubei Daye | **(82,623)** | 36,428 |
| | **(183,607)** | 80,950 |
| Dividends paid to non-controlling interests | **–** | – |
| Net cash (outflow) inflow from: | | |
| Operating activities | **(18,039)** | 123,329 |
| Investing activities | **(46,208)** | (45,611) |
| Financing activities | **33,926** | (75,708) |
| Net cash (outflow) inflow | **(30,321)** | 2,010 |

## 46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Non-current assets | | | |
| Investments in subsidiaries | | **3,885,785** | 3,781,823 |
| Investments in joint ventures | | **1** | 1 |
| Amounts due from subsidiaries | (a) | **5** | 263,044 |
| | | **3,885,791** | 4,044,868 |
| Current assets | | | |
| Prepayments and other receivables | | **274** | 456 |
| Cash and bank balances | | **1,189** | 4,883 |
| | | **1,463** | 5,339 |
| Current liabilities | | | |
| Amounts due to subsidiaries | (b) | **1,216** | 10,179 |
| Loan from a subsidiary | | **198,321** | 204,997 |
| Promissory note | | **–** | 1,095,852 |
| Other payables and accrued expenses | | **3,000** | 4,425 |
| | | **202,537** | 1,315,453 |
| Net current liabilities | | **(201,074)** | (1,310,114) |
| Total assets less current liabilities | | **3,684,717** | 2,734,752 |
| Capital and reserves | | | |
| Share capital | | **727,893** | 727,893 |
| Reserves | (c) | **1,518,624** | 1,706,859 |
| Total equity | | **2,246,517** | 2,434,752 |
| Non-current liabilities | | | |
| Loans from a subsidiary | | **300,000** | 300,000 |
| Promissory note | | **1,138,200** | – |
| | | **1,438,200** | 300,000 |
| | | **3,684,717** | 2,734,752 |

Notes:

(a) The amounts due from subsidiaries are unsecured and interest-free. The directors of the Company do not expect repayments from subsidiaries within next twelve months from the end of the reporting period.

## 46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes: (Continued)

(b) The amounts are unsecured, interest-free and repayable on demand.

(c) Movements in reserves

| | Share premium RMB'000 | Other reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2021 | 124,592 | 1,825 | 1,646,311 | 1,772,728 |
| Loss for the year | – | – | (65,869) | (65,869) |
| At 31 December 2021 and 1 January 2022 | 124,592 | 1,825 | 1,580,442 | 1,706,859 |
| Loss for the year | – | – | (188,235) | (188,235) |
| At 31 December 2022 | 124,592 | 1,825 | 1,392,207 | 1,518,624 |

## 47. DEREGISTRATION OF SUBSIDIARIES

During the year ended 31 December 2022, the Group deregistered two subsidiaries, Reservoir (Mongolia) Limited and Kunming Daxin.

The net liabilities of Reservoir (Mongolia) Limited at the date of deregistration were as follows:

| | **2022 RMB'000** |
|---|---|
| Other receivables | **340** |
| Other payables | **(2,913)** |
| Amounts due to the Group's subsidiaries | **(40,422)** |
| Other borrowings | **(1,373)** |
| Net liabilities | **(44,368)** |
| **Loss on deregistration of a subsidiary:** | |
| Net liabilities deregistered | **(44,368)** |
| Non-controlling interests | **9,293** |
| Exchange reserve | **(328)** |
| Waiver of amounts due to the Group's subsidiaries | **40,422** |
| | **5,019** |

## 47. DEREGISTRATION OF SUBSIDIARIES (CONTINUED)

The net liabilities of Kunming Daxin at the date of deregistration were as follows:

| | 2022<br>RMB'000 |
|---|---|
| Property, plant and equipment | **5,527** |
| Inventories | **454** |
| Trade receivables | **90** |
| Other receivables | **567** |
| Cash and bank balances | **34** |
| Trade payables | **(3)** |
| Other payables | **(812)** |
| Amounts due to the Group's subsidiaries | **(33,785)** |
| Net liabilities deregistered | **(27,928)** |
| **Loss on deregistration of a subsidiary:** | |
| Net liabilities deregistered | **(27,928)** |
| Non-controlling interests | **13,685** |
| Waiver of amounts due to the Group's subsidiaries | **33,785** |
| | **19,542** |

Notes:

The deregistered subsidiaries had no significant impact on the results and cash flows of the Group for the years ended 31 December 2022 and 2021.

# 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* (中國有色礦業集團有限公司), a limited liability company incorporated in the PRC and a controlling Shareholder |
| "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 |
| "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 |
| "Daye Metal" | Daye Non-ferrous Metals Co., Ltd.* (大冶有色金屬有限責任公司), a limited liability company incorporated 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 |

* *For identification purpose only*