



# 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



# 2025

## ANNUAL REPORT

# Mineral Resources



## XINJIANG MINE

Wujia County

- ④ Sareke Copper Mine

## HUBEI MINES

Daye City

- ① Tonglvshan Mine
- ② Tongshankou Mine

Yangxin County

- ③ Fengshan Mine

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors:

Xiao Shuxin (*Chairman*)  
Zhang Jinzhong (*Chief Executive Officer*)  
Zhang Aijun

### Independent Non-executive Directors:

Liu Fang  
Wang Qihong  
Kong Hua

## AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Liu Fang (*Chairman*)  
Wang Qihong  
Kong Hua

## NOMINATION COMMITTEE

Xiao Shuxin (*Chairman*)  
Liu Fang  
Wang Qihong  
Kong Hua

## COMPANY SECRETARY

Wong Yat Tung

## LEGAL ADVISERS

As to Hong Kong law:  
Paul Hastings

As to Bermuda law:  
Conyers Dill & Pearman

## AUDITOR

Baker Tilly Hong Kong Limited  
Certified Public Accountants  
Registered Public Interest Entity Auditor  
Level 8, K11 ATELIER King's Road  
728 King's Road, Quarry Bay, Hong Kong

## 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

Rm 910-C, 9/F  
Tower 1, Cheung Sha Wan Plaza  
833 Cheung Sha Wan Road  
Cheung Sha Wan  
Kowloon  
Hong Kong

## PRINCIPAL REGISTRAR

Appleby Global Corporate Services (Bermuda) Limited  
Canon's Court,  
22 Victoria Street,  
PO Box HM 1179,  
Hamilton HM EX,  
Bermuda

## HONG KONG BRANCH REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## STOCK CODE

661

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Xiao Shuxin**, aged 49, 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. 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. He served as the general manager of the Parent Company since October 2023 and the director of the Parent Company since November 2023. Mr. Xiao has more than 26 years of experience in business administration.

**Mr. Zhang Jinzhong**, aged 39, has been an executive director and the chief executive officer of the Company since 2023. He obtained a Bachelor of Engineering degree in mining engineering from Central South University\* (中南大學) in 2012. Mr. Zhang served as a technician of Hunan Nonferrous Tin Mine of Hsikwang Shan Twinkling Star Co., Ltd. from July 2012 to July 2013; a technician of Changsha Digital Mine Co.\* (長沙迪邁科技有限公司), Ltd from July 2013 to December 2014; and a technician of CNMC Luanshya Copper Mines Plc.\* (中色盧安夏銅業有限公司), a subsidiary of CNMC from January 2015 to November 2016. Mr. Zhang joined NFC Africa Mining Plc.\* (中色非洲礦業有限公司), a subsidiary of CNMC, from November 2016 to April 2023, during which he successively worked as a technician of infrastructure office, the assistant manager of southeast ore body mining workshop, the deputy manager of southeast ore body production control center (in charge of work), the manager of southeast ore body production control center, and the manager of technical department. In April 2023, he acted as the assistant manager of Daye Non-Ferrous Metals Group Holdings Company Limited\* (大冶有色金屬集團控股有限公司), which is the controlling shareholder of the Company, Mr. Zhang has been engaged in the nonferrous metals industry for more than 13 years and has rich experience in fields related to mine management.

**Ms. Zhang Aijun**, aged 55, has been an executive director of the Company since 2024. Ms. Zhang graduated from the Accounting Department of Zhejiang Metallurgical Economics College in 1992, majoring in industrial accounting. She graduated from the Postgraduate Department of Economic Management of the Party School of Chinese Communist Party of Hubei province\* (中共湖北省委黨校) in 2010. From July 1992 to March 1995, she served as an accountant at Northwest Aluminum Fabrication Plant\* (西北鋁加工廠). From March 1995 to March 2009, she successively served as the accountant of the finance section of Fengshan Copper Mine, the deputy head of the finance section of the smelting plant and the head of the cost section of the finance department of the Parent Company. From March 2009 to March 2018, she successively served as the head of the budget section of the finance department and the deputy director of the finance section of the finance department and the director of the settlement center of Daye Metal. From March 2018 to January 2023, she served as the director of the finance department of the Parent Company. From February 2023 to March 2024, she served as a member of the Standing Committee of the Communist Party Committee and chief accountant of Shenyang Mining Investment Co., Ltd.\* (瀋陽礦業投資有限公司), a subsidiary of CNMC. From March 2024 on, she has served as a member of the Standing Committee of the Communist Party Committee and chief accountant of the Parent Company. Ms. Zhang has over 33 years of experience in the accounting industry and has extensive experience in mining and metallurgical finance-related fields.

# Biographical Details of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Liu Fang**, aged 50, has been an independent non-executive director of the Company since 2023. She graduated from the Renmin University of China in 2001 with a major in accounting, and graduated from the Australian National University (Tsinghua University Cooperation Program) in 2015 with a master's degree in management, and is a certified public accountant in China. She worked at Coopers & Lybrand China from 1994 to 1997 as a training assistant. She worked at the audit department of Russell Bedford Hua-Ander in Beijing (a member firm of Russell Bedford International in China) in 1997 and served as a partner in 2008 and the lead partner in 2023. In 2009, she was sent by the firm to work at the San Jose office of its US partner, TRUE PARTNER CONSULTING, on an exchange program to learn US accounting standards and taxation, and subsequently worked with it to conduct M&A tax due diligence and tax consulting businesses. From 2010 to 2016, she served as an independent director of Jiawei Renewable Energy Co., Ltd. She has more than 20 years of audit experience and is proficient in the theoretical knowledge of finance, taxation, and auditing, and has accumulated extensive audit practice experience in various industries. She has extensive experience in statutory audit, international standard audit, due diligence, management consulting and tax consulting, and has led and participated in numerous auditing and consulting projects. She is familiar with and specializes in the manufacturing, pharmaceutical, service, high-tech and other industries, providing audit and consulting services to state-owned enterprises, foreign-invested enterprises and private enterprises.

**Mr. Wang Qihong**, aged 73, 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).

# Biographical Details of Directors and Senior Management

**Mr. Kong Hua**, aged 57, has been an independent non-executive director of the Company since 2025. He is a professor and doctoral supervisor of Central South University. He obtained his bachelor's degree and master's degree in minerals prospecting and exploration from Guilin University of Technology in June 1990 and June 1993, respectively, and obtained his doctoral degree in minerals prospecting and exploration from Central South University in October 1996. He worked as a researcher in the Geology Post-doctoral Research Station of China University of Geosciences (Wuhan) from December 1996 to June 1999. He joined Central South University in July 1999 and was promoted to associate professor in 2000 and professor in 2005. He is committed to basic geological research and prospecting practice, specializing in petrogenesis and metallogenic structure. He undertook a number of national deep-earth research and development projects, and participated in the deep prospecting and prediction of lead-zinc deposit in Xitieshan, Qinghai, the deep prospecting and prediction of gold deposit in the Zhaoping fault zone, Shandong, the prospecting and prediction of tungsten – tin deposit in the Xitian ore-concentrated area in Hunan, the prospecting and prediction of gold deposit in Taipushiqi, Inner Mongolia, the prospecting and prediction of copper deposit in Zhongtiaoshan, Shanxi, etc. He has served as a director of the Hunan Geological Society since May 2021, as the vice chairman of the Geophysical and Geochemical Exploration Professional Committee of the Hunan Geological Society from October 2005 to October 2015, and as a member of the Microstructure Professional Group of the Structural Professional Committee of the Geological Society of China from June 2000 to June 2008.

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Li Haibo**, aged 51, is currently the secretary of the Communist Party Committee, chairman and general manager of Daye Metal. He graduated from Zhejiang Economic Higher Vocational School (浙江經濟高等專科學校) in 1994 with a major in economics and marketing. In July 2007, he graduated from Central Radio and Television University (中央電大) with a major in business administration. From July 1994 to June 1999, he served as a sales representative in the Transportation and Sales Department in Tonglvshan Mine of Daye Non-Ferrous. From July 1999 to December 2002, he served as a technician at Power Plant of Daye Nonferrous. From January 2003 to December 2007, he served as a planner in Raw Materials Section 2 of Daye Nonferrous Supply and Marketing Company (大冶有色供銷公司). From January 2008 to February 2016, he successively held the positions of planner, deputy head, head and deputy general manager in Raw Materials Section 1 of Daye Nonferrous Marketing Company (大冶有色營銷公司). From February 2016 to February 2023, he successively served as deputy general manager of Commercial Department and secretary of Party general branch of the parent company. From July 2023 to May 2025, he served as the secretary of the Communist Party Committee and chairman of Daye Nonferrous Metals Group (Shanghai) International Trade Co., Ltd. (大冶有色金屬集團(上海)國際貿易有限公司), a wholly-owned subsidiary of the parent company. He currently serves as assistant to the general manager of the parent company; the secretary of the Communist Party Committee, chairman and general manager of Daye Metal; and the secretary of the Communist Party Committee and director of Daye Nonferrous Metals Group (Shanghai) International Trade Co., Ltd. Mr. Li Haibo has over 21 years of experience in the non-ferrous metallurgy industry and has extensive experience in marketing, commercial and futures-related fields.

**Mr. Luo Yi**, aged 50, is currently the secretary of the Communist Party Committee and chairman of Yangxin Hongsheng; he is also a member of the Party Committee, director and deputy general manager of Daye Metal. He graduated from Daye Nonferrous Technical School (大冶有色技校) with a major in smelting in July 1994. In July 2003, he graduated from Hubei Radio and Television University (湖北廣播大學) with a major in economics. In July 2005, he graduated from Hubei Normal University (湖北師範大學) with a major in economic management. He holds the title of senior engineer. From August 1994 to May 2012, he successively served as a technician, deputy director and secretary of Party general branch in the smelting workshop of Daye Metal Smelting Plant. From May 2012 to December 2016 and then from December 2016 to August 2019, he successively served as director of the smelting workshop, deputy plant manager and member of the Party Committee of Daye Metal Smelting Plant. From August 2019 to January 2020, he served as deputy plant manager of Daye Metal Smelting Plant and deputy general manager of Yangxin Hongsheng. From January 2020 to December 2023, he successively held the positions of deputy general manager, member of the Party Committee and director; deputy secretary of the Party Committee, director, deputy general manager and chairman of the labor union; and deputy secretary of the Party Committee, director and general manager in Yangxin Hongsheng. From December 2023 to August 2024, he served as the secretary of the Communist Party Committee, director and general manager of Yangxin Hongsheng; member of the Party Committee and deputy general manager of Daye Metal; and director of Daye Nonferrous Metals Group (Shanghai) International Trade Co., Ltd., a wholly-owned subsidiary of the parent company. He currently serves as a member of the Party Committee of the parent company; the secretary of the Communist Party Committee and chairman of Yangxin Hongsheng; and a member of the Party Committee, director and deputy general manager of Daye Metal. Mr. Luo Yi has over 21 years of experience in the non-ferrous metallurgy industry and has been involved throughout the entire process of Yangxin Hongsheng's construction, production and operation, possessing extensive experience in the management of non-ferrous metal smelting enterprises.

# Chairman's Statement



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 2025.

During the year, revenue increased by approximately 14.17% to approximately RMB66,050,939,000 compared with approximately RMB57,852,731,000 in the same period of 2024. Gross profit decreased by approximately 20.92% to approximately RMB1,281,123,000, compared with approximately RMB1,620,132,000 in the same period of 2024. Profit for the year decreased by approximately 44.04% to approximately RMB5,370,000 compared with the profit of approximately RMB9,596,000 in the same period of 2024.

In 2025, the Group produced a total of approximately 18,800 tonnes of mined copper, an increase of approximately 3.54% over the same period last year; approximately 719,000 tonnes of copper cathode, an increase of approximately 2.18% over the same period last year; approximately 655.95 tonnes of precious metals (including approximately 9.28 tonnes of gold, approximately 612.28 tonnes of silver, approximately 8 kg of platinum, approximately 110 kg of palladium and approximately 34.27 tonnes of tellurium), a decrease of approximately 5.26% over the same period last year; approximately 2,721,500 tonnes of chemical products such as sulphuric acid (including approximately 2,711,400 tonnes of sulphuric acid, approximately 120.53 tonnes of nickel sulphate, approximately 9,718.39 tonnes of copper sulfate and approximately 210.62 tonnes of crude selenium), an increase of approximately 31.83% over the same period last year; approximately 245,800 tonnes of iron concentrate, an increase of approximately 31.24% over the same period last year; and approximately 39.6 tonnes of molybdenum concentrate, a decrease of approximately 9.34% over the same period last year.

# Chairman's Statement



In 2025, in the face of the severe condition of persistently low treatment charges for imported copper concentrate, the Company steadfastly pursued its core objectives of “loss management and getting out of the red, reserve expansion and production growth, and creating value”. By uniting efforts, striving diligently, tackling problems through reform, forging new paths through innovation, and strengthening momentum with a resolute determination to overcome challenges, it ultimately delivered a remarkably commendable annual performance. The Company’s efforts in loss management and getting out of the red have been fully recognized.

- **Initial results were achieved in reserve expansion and production growth.** With unwavering focus on output targets, the mine delivered 18,800 tonnes of copper, 718,400 tonnes of mined blister copper, 719,000 tonnes of copper concentrate, 2.71 million tonnes of sulfuric acid, 9,284 kilograms of gold, 612.28 tonnes of silver, with production of blister copper, copper concentrate, sulfuric acid, gold and silver exceeding planned targets. The production exploration at self-own mines was advanced, achieving 29,500 metres of exploration drilling footage and adding 730,000 tonnes of copper ores, which was 183% of the annual plan. Implementation of the deep exploration at the northern edge of Fengshan Copper Mine and the exploration of the periphery of Sareke Copper Mine resulted in 7.13 million tonnes of new copper ores and 41,000 tonnes of copper metal. The mining license for the merger and expansion of the northern section of Sareke Copper Mine was obtained.
- **Technology empowered the accelerated advancement of new materials.** Focusing on the research and development of new copper materials and high-purity metal materials, a 100,000-level clean laboratory was established, the electrolytic production process for high-purity gold and silver was successfully implemented, and the 5N-grade gold and silver products were successfully prepared. The development strategy for the “three rare metals” industries, i.e. rare earth metals, rare metals and scattered metals, was implemented, with breakthroughs in the key technologies for the preparation of 3N-grade selenium products. The 3N-grade selenium production line was successfully launched, filling the Company’s gap in high-end selenium products. A pilot test for rhodium metal recovery was completed, laying the technical foundation for industrialization.

# Chairman's Statement



- **The deepening reform and enhancement action was successfully completed.** Focusing on three key areas, i.e. optimizing industrial layout, improving asset structure and refining market-oriented operational mechanisms, we implemented upgrades and reforms to the smelting system, promoted intelligent construction of mines and the three-year action of science & technology and safety & environmental protection. These efforts continuously enhanced our capabilities in intelligent, green and integrated development. Furthermore, we refined our corporate governance system, deepened the implementation of a new operational accountability system, and consistently improved business quality, thereby strengthening core functions and enhancing core competitiveness.
- **The digital and intelligent integration was advanced significantly.** Focusing on establishing a flagship smart factory, we propelled the development of the “lights-out factory” of Yangxin Hongsheng, deepening the application of unmanned scenarios and the digital integration of process equipment. This enhanced intelligent perception, decision-making and control across multiple scenarios, processes and stages, resulting in successful inclusion in the national lists for green data centers and green computing facilities. Solid progress was made in intelligent mine construction and the three-year action of science & technology and safety & environmental protection. 24 projects were completed, including the establishment of the integrated management platform of Tongshankou Mine and the functional iteration of Fengshan Copper Mine integrated mining and processing management platform.

# Chairman's Statement

Over the past year, the Company has steadfastly pursued progress while maintaining stability and achieved success amidst adversity. We have moved forward steadily through trials and hardships, and achieved breakthroughs through overcoming challenges. Our primary efforts were made in the following areas:

## **A. FOCUSING ON VALUE CREATION TO REDUCE COSTS, TAP POTENTIAL AND ENHANCE OPERATIONAL EFFICIENCY**

We firmly upheld the principle of "all costs are controllable". Through multiple measures such as market benchmarking, technological upgrades and special diagnostics, we drove continuous cost reductions across all production units, steadily enhancing our core competitiveness. The mining sector focused on boosting production efficiency by optimizing mining processes, resulting in a 2% reduction in variable costs per tonne. Tonglvshan Mine and Fengshan Copper Mine became the key pillars supporting the Company's operational profitability. The smelting sector intensified process control, with key technical and economic indicators undergoing continuous optimization. The copper smelting recovery rates of smelter and Yangxin Hongsheng increased by 0.31% and 0.18% respectively compared to the previous year, driving concurrent reductions in variable costs for copper cathode, sulfuric acid and anode mud. The marketing division closely monitored market demand dynamics, seizing the timing and pricing initiative of sulfuric acid. Its dynamic pricing strategy substantially boosted profits from sulfuric acid sales. The procurement division fully leveraged the advantages of its centralized procurement platform, intensifying market sourcing efforts for engineering, equipment and bulk materials. By deepening centralized procurement bidding and negotiation mechanisms, it effectively transformed short-term efficiency gains into long-term operational resilience for the Company.

## **B. STRENGTHENING THE FOUNDATION OF SAFETY AND ENVIRONMENTAL PROTECTION, AND BUILDING A SOLID OPERATIONAL BASE THROUGH LEAN MANAGEMENT**

A robust safety supervision and management mechanism was established, with 308 occupational safety supervisors appointed. Safety and environmental risk management was strengthened, resulting in zero general or higher-level production safety incidents or sudden environmental incidents occurring throughout the year. The intrinsic level of safety and environmental protection continued to improve. Yangxin Hongsheng was rated as a Grade A enterprise in the performance grading system for severe pollution weather. Units including Fengshan Copper Mine passed clean production audits, with key indicators such as major pollutant emissions showing steady declines. No environmental administrative penalties were incurred. An investment of RMB490 million was made to implement large-scale equipment upgrades, effectively enhancing operational efficiency and reducing energy consumption levels. Power factor optimization and capacity demand management were enhanced to deepen energy-efficient operation. The Company's carbon dioxide emissions and comprehensive energy consumption decreased by 14.11% and 14.04% respectively compared to the previous year. A three-tier quality inspection risk management mechanism was established to steadily enhance product quality, enabling the copper cathode of Yangxin Hongsheng to successfully obtain LME (London Metal Exchange) certification and registration. Efforts to strengthen the integration of compliance risk and internal control systems were sustained, with monthly tracking and quarterly reporting of key risk indicators and monitoring status, ensuring effective prevention and control of all types of risks.

## **C. STRENGTHENING TECHNOLOGY EMPOWERMENT TO LAY A SOLID FOUNDATION FOR DEVELOPMENT THROUGH TECHNOLOGICAL BREAKTHROUGHS**

Breakthroughs in key core technologies were achieved, with Yangxin Hongsheng's copper content of tailings in slag selection reducing by 29.3% in the average grade in tailings. This resulted in an additional recovery of 1,056 tonnes of metallic copper, delivering dual improvements in resource utilization and economic benefits. Efforts were made to vigorously advance the refined and safe exploitation of low-grade and residual ore resources. Tonglvshan Mine recovered 178,400 tonnes of remaining bottom column ore above -485m and 1,362 tonnes of copper. Sareke Copper Mine recovered 19,668 tonnes of ore from peach-shaped columns and 242 tonnes of copper. We led and participated in the formulation of nearly 20 national and industry standards, with two standards led by the Company receiving second and third prizes respectively at the National Non-ferrous Metals Technical Standards Excellence Awards (全國有色金屬技術標準優秀獎). Two core achievements, i.e. "Innovation

and Application of Intelligent Blowing Green Copper Metallurgy Key Technologies for High-Oxygen, High-Grade Top-Blown Smelting" (高富氧高品位頂吹熔煉－智能吹煉綠色銅冶金關鍵技術創新及應用) and "Innovation and Demonstration of Green and Intelligent Mining Technology for Paste Filling in Large Panel Area of Complex Ore Bodies" (複雜礦體大盤區膏體充填綠智化開採技術創新與示範), were both appraised by China Non-Ferrous Metals Industry Association (中國有色金屬工業協會) as reaching internationally leading levels, receiving the first and second prizes respectively of the "2025 China Non-ferrous Metals Industry Science and Technology Progress Awards" (二零二五年度中國有色金屬工業科技進步獎).

## D. FOCUSING EFFORTS ON REFORM TO ENHANCE EFFICIENCY, AND UNLEASHING ENDOGENOUS DRIVING FORCE THROUGH OPTIMIZED MECHANISMS

We comprehensively advanced human resources optimization, introducing five mid-to-high-level talents through market-based recruitment, hiring 92 undergraduates in core majors, and adding 43 skilled personnel. Contractual management was implemented for deputy section-level and above management, alongside differentiated performance assessments, with floating wages for managers at all levels accounting for 63.35% and income differences reaching 1.93 times.

Over the past year, we faced unprecedented challenges, yet achieved results exceeding expectations. From production lines to intelligent control centers, from market frontlines to support operation, all senior executives demonstrated their commitments through diligent action and honored their pledges through relentless effort, collectively harnessing the formidable momentum that propelled the Company forward under pressure.

While acknowledging our achievements, we remain acutely aware that the Company's production, operation and reform efforts still face numerous pressing difficulties and issues requiring urgent resolution. Firstly, the foundations of safety and environmental protection remain unstable. Historical unresolved issues have yet to be fully addressed, and 6S on-site management requires further reinforcement. Secondly, core profit-generating capabilities exhibit significant shortcomings. Corporate profitability remains weak, with the smelting segment enduring sustained pressure and significant losses; recovery rates for certain rare and precious metals lag behind industry-leading levels, leaving room for efficiency gains. Thirdly, resilience against industry cyclical fluctuations and market risks requires enhancement. Self-owned mineral resources provide severely inadequate security, making it difficult to offset external price volatility through capacity expansion; procurement channels for copper concentrate must be further diversified. Fourthly, momentum for industrial upgrading remains inadequate. Breakthroughs in key core technologies are insufficient, while efforts to extend into high-end downstream applications are relatively weak, failing to demonstrate a leading and supportive role in enhancing industrial quality and upgrading. We must acknowledge these issues and confront these contradictions head-on, implementing pragmatic measures to resolve them in our future work.

We must consolidate our hard-won achievements in losses management while confronting the formidable challenges of the market head-on. We must carry forward the spirit of "the brave one will win in the fierce competition" (狹路相逢勇者勝), resolutely breaking through path dependencies and dismantling mindsets. We shall boldly confront emerging contradictions and challenges head-on, adopting a pragmatic approach characterized by "immediate action and prompt execution". This will ensure every decision and deployment is rigorously implemented to deliver tangible results, propelling the Company towards decisive success in stopping losses and forging a new chapter of development.

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 2025, the Group recorded revenue of approximately RMB66,050,939,000 (2024: RMB57,852,731,000), representing an increase of approximately 14.17% from the previous year, attributable to impact of the rising prices of major products such as cathode copper, gold, silver, and sulfuric acid.

### Cost of sales

For the year ended 31 December 2025, the cost of sales and services rendered of the Group amounted to approximately RMB64,769,816,000 (2024: RMB56,232,599,000), representing an increase of approximately 15.18% from the previous year, which was attributable to impact of the rising procurement prices of raw materials.

### Gross profit

For the year ended 31 December 2025, gross profit decreased by approximately 20.92% to approximately RMB1,281,123,000, compared with approximately RMB1,620,132,000 in the same period of 2024. The decrease in gross profit was mainly attributable to the two-way effect of the concentrated and accelerated release of domestic and foreign smelting capacity and the tight supply of copper concentrate. The smelting processing charges dropped sharply in 2025 and the benefit space of the subordinating smelting processing enterprises was greatly narrowed.

### Other income

Other income for the year ended 31 December 2025 amounted to approximately RMB61,046,000 (2024: RMB62,796,000), representing a decrease of approximately 2.79% from the previous year.

### Other operating expenses

For the year ended 31 December 2025, other operating expenses decreased by approximately 25.62% to approximately RMB98,435,000, compared with approximately RMB132,332,000 in the same period of 2024. The decrease was primarily due to the costs incurred during the work stoppage period being included in other operating expenses in 2024.

### Other gains and losses

Other gains and losses for the year ended 31 December 2025 amounted to a net gain of approximately RMB43,969,000 (2024: net loss of RMB98,594,000), representing an increase of net gain of approximately RMB142,563,000 from the previous year. The increase of net gain was primarily due to the increase in exchange gains.

### Income tax expenses

Income tax expense for the year ended 31 December 2025 amounted to approximately RMB29,300,000 (2024: RMB40,669,000), representing a decrease of approximately 27.95% from the previous year, which was primarily due to the decrease in income tax expense resulted from the decrease in total profit in 2025 compared to the previous year.

### Earnings per share

For the year ended 31 December 2025, basic earnings per share amounted to RMB0.30 fen (2024: basic earnings per share RMB0.22 fen).

# Management Discussion and Analysis

## MINERAL RESOURCES AND ORE RESERVES

As at 31 December 2025, the Company held a total of four mines located in Hubei and Xinjiang.

The following table sets out the mineral information of each mine as at 31 December 2025.

### Abundant and high quality mineral resources

|   | Hubei Mines  |          |  |          | Xinjiang Mine  |          |  |          |
|---|--|----------|--|----------|--|----------|--|----------|
|   | Tonglvshan Mine  |          | Fengshan Mine  |          | Tongshankou Mine   |          | Sareke Copper Mine                     |          |
| Geographical location                                 | Daye City  |          | Yangxin County   |          | Daye City  |          | Wuqia county                           |          |
| Ownership   | 95.35%   |          | 95.35%   |          | 95.35%   |          | 55%                                    |          |
| Approximate total area (square kilometres)            | 4.76   |          | 2.35   |          | 1.53   |          | 1.29                                   |          |
| Year for operation commencement                       | 1971   |          | 1972   |          | 1984   |          | 2017                                   |          |
| Metals with economic values available for exploration | Copper, gold, silver and iron                                  |          | 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 silver) |          |
| Average copper grade                                  | 1.2%   |          | 0.7%   |          | 0.7%   |          | 1.21% 1.16%                            |          |
| JORC classification                                   | Indicated  | Inferred | Indicated  | Inferred | Indicated  | Inferred | Indicated                              | Inferred |
| Ore quantity (million tonnes)                         | 11.55  | 16.5     | 8.14   | 19.5     | 30.39  | 17       | 1.7697                                 | 1.6417   |
| Resources metal quantity                              |  |          |  |          |  |          |  |          |
| Copper (tonnes)                                       | 138,600  | 181,500  | 56,980   | 136,500  | 212,730  | 100,000  | 21,429                                 | 19,092   |
| Iron (million tonnes)                                 | 2.31   | 3.47     | -  | -        | -  | -        | -                                      | -        |
| Molybdenum (tonnes)                                   | -  | -        | 326  | 2,340    | 2,735  | 3,400    | -                                      | -        |
| Gold (ounce)  | 176,206  | 270,096  | -  | -        | -  | -        | -                                      | -        |
| Silver (thousand ounce)                               | 1,498  | 2,802    | -  | -        | -  | -        | -                                      | -        |

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 2025 (for Tonglvshan Mine, Fengshan Mine, Tongshankou Mine and Sareke Copper Mine).

# Management Discussion and Analysis

## Tonglvshan Project Summary

As at 31 December 2025, 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<br>(million<br>tonnes) | Cu<br>(%)   | Fe<br>(%)   | Quantity<br>(million<br>tonnes) | Au<br>gram/<br>tonne | Ag<br>gram/<br>tonne |
| <b>Resources (CuEq≥0.5%)</b>      |                                 |             |             |                                 |                      |                      |
| Indicated                         | 11.55                           | 1.2         | 20          | 6.85                            | 0.8                  | 6.8                  |
| Inferred                          | 16.5                            | 1.1         | 21          | 10.5                            | 0.8                  | 8.3                  |
| <b>Total</b>                      | <b>28.05</b>                    | <b>1.2</b>  | <b>20</b>   | <b>17.35</b>                    | <b>0.8</b>           | <b>7.6</b>           |
| <b>Reserves (CuEq≥0.79%)</b>      |                                 |             |             |                                 |                      |                      |
| Probable (in mining licence)      | 4.95                            | 1.59        | 17.5        | 4.95                            | 0.5                  | 3.3                  |
| Probable (in exploration licence) | 2.6                             | 1.1         | 15.3        | 2.6                             | 0.5                  | 6.8                  |
| <b>Total Probable</b>             | <b>7.55</b>                     | <b>1.41</b> | <b>17.0</b> | <b>7.55</b>                     | <b>0.5</b>           | <b>4.1</b>           |

Note:

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

## Fengshan Project Summary

As at 31 December 2025, according to JORC standard, the details of resources and reserves of the Fengshan Project are set out below:

### Resources and reserves summary (JORC Code)

| JORC classification          | Quantity<br>(million tonnes) | Cu<br>(%)   | Mo<br>(%)    | Metal Quantity |               |
|------------------------------|------------------------------|-------------|--------------|----------------|---------------|
|                              |                              |             |              | Cu<br>(tonne)  | Mo<br>(tonne) |
| <b>Resources (CuEq≥0.3%)</b> |                              |             |              |                |               |
| Indicated                    | 8.14                         | 0.7         | 0.004        | 56,980         | 326           |
| Inferred                     | 19.5                         | 0.7         | 0.012        | 136,500        | 2,340         |
| <b>Total</b>                 | <b>27.64</b>                 | <b>0.7</b>  | <b>0.01</b>  | <b>193,480</b> | <b>2,666</b>  |
| <b>Reserves (CuEq≥0.43%)</b> |                              |             |              |                |               |
| Probable (in mining license) | 4.62                         | 0.88        | 0.003        |                |               |
| <b>Total Probable</b>        | <b>4.62</b>                  | <b>0.88</b> | <b>0.003</b> |                |               |

Note:

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

# Management Discussion and Analysis

## Tongshankou Project Summary

As at 31 December 2025, 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<br>(million tonnes) | Cu<br>(%)  | Mo<br>(%)    |
|-------------------------------|---------------------|------------------------------|------------|--------------|
| <b>Resources</b>              |                     |                              |            |              |
| In licence                    | Indicated           | <0.1                         | 0.6        | 0.01         |
| Open cut area                 | Inferred            | 0.1                          | 0.3        | 0.014        |
| <b>CuEq≥0.13%</b>             | <b>Total</b>        | <b>0.1</b>                   | <b>0.3</b> | <b>0.014</b> |
| <hr/>                         |                     |                              |            |              |
| In licence                    | Indicated           | 30.19                        | 0.7        | 0.009        |
| Underground area              | Inferred            | 12                           | 0.6        | 0.014        |
| <b>CuEq≥0.4%</b>              | <b>Total</b>        | <b>42.19</b>                 | <b>0.7</b> | <b>0.01</b>  |
| <hr/>                         |                     |                              |            |              |
| Out of licence                | Indicated           | 0.2                          | 0.9        | 0.009        |
| Underground area              | Inferred            | 5.0                          | 0.6        | 0.035        |
| <b>CuEq≥0.4%</b>              | <b>Total</b>        | <b>5.2</b>                   | <b>0.6</b> | <b>0.034</b> |
| <hr/>                         |                     |                              |            |              |
| Total                         | Indicated           | 30.39                        | 0.7        | 0.009        |
| Open cut & underground area   | Inferred            | 17                           | 0.6        | 0.02         |
| <b>In and out of licence</b>  | <b>Total</b>        | <b>47.39</b>                 | <b>0.7</b> | <b>0.013</b> |
| <hr/>                         |                     |                              |            |              |
| <b>Reserves</b>               |                     |                              |            |              |
| Open cut area (CuEq≥0.17%)    | Probable            | <0.1                         | 0.5        | 0.011        |
| Underground area (CuEq≥0.50%) | Probable            | 11.76                        | 0.7        | 0.006        |
|                               | <b>Total</b>        | <b>11.76</b>                 | <b>0.7</b> | <b>0.006</b> |

Note:

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

# Management Discussion and Analysis

## Sareke Project Summary

As at 31 December 2025, 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) |
|------------------|---------------------|------------------------------------|------------------|-----------------------|
| <b>Resources</b> | Indicated           | 7.43                               | 0.77             | 57,336.54             |
|                  | Inferred            | 6.71                               | 0.72             | 48,225.46             |
|                  | <b>Total</b>        | <b>14.14</b>                       | <b>0.75</b>      | <b>105,562.00</b>     |

### Minerals reserves summary (JORC Code)

|                 | Elevation (m) | Probable Tonnage (1,000 tonnes) | Copper (%)  | Metal Quantity (tonne) |
|-----------------|---------------|---------------------------------|-------------|------------------------|
| <b>Reserves</b> | >=2,900       | 95.12                           | 0.76        | 723.76                 |
|                 | 2,790~2,900   | 305.80                          | 0.70        | 2,128.09               |
|                 | 2,730~2,790   | 389.70                          | 0.70        | 2,738.12               |
|                 | 2,670~2,730   | 709.70                          | 0.65        | 4,631.43               |
|                 | <=2,670       | 558.30                          | 0.56        | 3,098.72               |
| <b>Total</b>    |               | <b>2,058.62</b>                 | <b>0.65</b> | <b>13,320.12</b>       |

Note:

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

Notes for the above tables:

- (1) In the above tables, Cu, Fe, TFe, Mo, CuEq, Au and Ag mean copper, iron, total iron, molybdenum, copper equivalent, gold and silver, respectively, and t, Kt, Mt, kg, g/t, Oz, and k Oz mean tonne, thousand tonne, million tonne, kilogram, gram per tonne, troy ounce and thousand troy ounce, respectively. The terms "Indicated", "Inferred" and "Probable" have the meanings ascribed to them under the JORC Code.
- (2) Mineral resources and ore reserves described as "out of licence" refers to the discovery of mineral resources or ore reserves outside of the permitted level of mining depth prescribed in the mining licence of the relevant mine. Mineral resources and ore reserves described as "in licence" or "in mining licence" refer to the discovery of mineral resources or ore reserves within the permitted level of mining depth prescribed in the mining licence of the relevant mine.
- (3) Mineral resources were defined within a mineralized envelop above 0.13% copper equivalent, and reported at a cut-off grade of 0.43% copper equivalent for underground operations and 0.17% copper equivalent for open pit operations.
- (4) Ore reserves are estimated using minimum cut-off grades of 0.79%, 0.43%, 0.17% and 0.50% copper equivalent for the Tonglvshan Mine, the Fengshan Mine, the open pit mining at the Tongshankou Mine, the underground mining at the Tongshankou Mine, respectively.

# Management Discussion and Analysis

- (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 |
|---------------------|------------|----------|-------------|
| Copper (RMB/t)      | 36,011     | 35,589   | 35,950      |
| Iron (RMB/t)        | 650        |          |             |
| Gold (RMB/g)        | 267        |          |             |
| Silver (RMB/g)      | 2.38       |          |             |
| Molybdenum (RMB/kg) |            | 90.1     |             |

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

## EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

### Description of activities

The following table sets out the various exploration, development and mining production activities of the Group conducted at each of our mines during the year ended 31 December 2025:

| Mines                     | Exploration activities   | Development activities   | Mining production activities   |
|---------------------------|--|--|--|
| <b>Tonglvshan Mine</b>    | Horizontal drilling reached 14,127.6 m/187 holes, and pit drilling reached 1,204m/13,646m <sup>3</sup> .                                   | The total completed drilling volume of middle portion and decline project of the -665m, -725m middle portion No. IV ore body (including IV West) development project of Tonglvshan Mine was 25,607m <sup>3</sup> . | Copper: 6,118 tonnes<br>Gold: 493kg<br>Silver: 2,360kg<br>Iron concentrate: 245,806 tonnes |
| <b>Fengshan Mine</b>      | 1. Horizontal drilling reached 5,147.75m/89 holes.<br>2. North edge in-depth supplementary exploration project reached 4,837.93m/10 holes. | The total completed drilling volume of for the -440m middle portion of development project of Fengshan Copper Mine was 4,119m <sup>3</sup> .   | Copper: 4,800 tonnes<br>Gold: 125kg<br>Silver: 4,145kg<br>Molybdenum: 39.60 tonnes         |
| <b>Tongshankou Mine</b>   | Horizontal drilling reached 5,565.5m/72 holes.   | No development projects were carried out in 2025.  | Copper: 4,904 tonnes<br>Gold: 9kg<br>Silver: 2,356kg                                       |
| <b>Sareke Copper Mine</b> | Horizontal drilling reached 4,642.4m/126 holes.  | 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 9,742m/142,553m <sup>3</sup> .                             | Copper: 2,944 tonnes<br>Silver: 2,721kg  |

# Management Discussion and Analysis

## Expenditures incurred

During 2025, we incurred approximately RMB1,648,871,000 (2024: RMB1,736,311,000) on exploration, development and mining production activities, details of which are set out below:

Unit: RMB'000

| Mines              | Operating expenses | Capital expenditure | 2025 Total       | 2024 Total       |
|--------------------|--------------------|---------------------|------------------|------------------|
| Tonglvshan Mine    | 528,666            | 64,626              | 593,292          | 664,651          |
| Fengshan Mine      | 295,034            | 32,181              | 327,215          | 396,256          |
| Tongshankou Mine   | 403,747            | 44,309              | 448,056          | 417,065          |
| Chimashan Mine     | 4,542              | 0                   | 4,542            | 5,218            |
| Sareke Copper Mine | 244,276            | 31,490              | 275,766          | 253,121          |
| <b>Total</b>       | <b>1,476,265</b>   | <b>172,606</b>      | <b>1,648,871</b> | <b>1,736,311</b> |

## Exploration, Development and Mining Expenditures

Unit: RMB'000

|  | Tonglvshan Mine   | Fengshan Mine     | Tongshankou Mine  | Sareke Copper Mine |
|--|-------------------|-------------------|-------------------|--------------------|
| <b>Exploration activities</b>  |                   |                   |                   |                    |
| Drilling and analysis  | –                 | –                 | –                 | –                  |
| Others   | –                 | –                 | –                 | –                  |
| Sub-total  | –                 | –                 | –                 | –                  |
| <b>Development activities (including mine construction)</b>                |                   |                   |                   |                    |
| Purchases of assets and equipment  | 19,552.89         | 8,597.21          | 8,567.62          | 31,489.61          |
| Civil work for construction of tunnels and roads                           | 45,073.38         | 23,583.41         | 35,741.26         | –                  |
| Staff cost   | –                 | –                 | –                 | –                  |
| Others   | –                 | –                 | –                 | –                  |
| Sub-total  | 64,626.27         | 32,180.61         | 44,308.88         | 31,489.61          |
| <b>Mining activities (including ore processing)</b>                        |                   |                   |                   |                    |
| Auxiliary materials  | 82,707.48         | 22,913.32         | 47,290.16         | 58,176.66          |
| Power supply   | 36,706.19         | 18,716.81         | 30,338.92         | 11,241.74          |
| Staff cost   | 154,339.34        | 95,366.92         | 86,902.77         | 46,033.85          |
| Depreciation   | 103,802.69        | 29,985.77         | 74,905.75         | 43,892.94          |
| Taxes and resource compensation  | 29,489.74         | 20,258.17         | 22,250.73         | 35,018.02          |
| Sub-contracting service  | –                 | –                 | –                 | –                  |
| Others (administrative fees, selling expenses, non-operating expenditures) | 121,620.45        | 107,792.91        | 142,058.46        | 49,912.33          |
| Sub-total  | 528,665.89        | 295,033.89        | 403,746.79        | 244,275.54         |
| <b>Total</b>   | <b>593,292.16</b> | <b>327,214.51</b> | <b>448,055.67</b> | <b>275,765.15</b>  |

# Management Discussion and Analysis

## Infrastructure projects, subcontracting arrangements and purchases of equipment

During 2025, 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    | 45,073.38               | –                           | 19,552.89             | 64,626.27  |
| Fengshan Mine      | 23,583.41               | –                           | 8,597.21              | 32,180.62  |
| Tongshankou Mine   | 35,741.26               | –                           | 8,567.62              | 44,308.88  |
| Sareke Copper Mine | –                       | –                           | 31,489.61             | 31,489.61  |
| Total              | 104,398.05              | –                           | 68,207.33             | 172,605.38 |

## OPERATING OBJECTIVES AND STRATEGIES IN 2026

The production volume targets of the Group for 2026 include producing 19,000 tonnes of mined coppers, 713,000 tonnes of copper cathode, 7.3 tonnes of gold, 617.7 tonnes of silver, 2,067,000 tonnes of sulphuric acid, 245,000 tonnes of iron concentrate, 7.1 kg of platinum, 84.4 kg of palladium, 154 tonnes of nickel sulfate (containing metal), 190.2 tonnes of crude selenium, 36.2 tonnes of tellurium, 13,030 tonnes of copper sulfate and 51 tonnes of molybdenum concentrate.

## WORK PLAN AND MAIN TASKS FOR 2026

The **general guideline** for the Company's operational reform and development in 2026 is as follows: fully implement the requirements of the work plan, prioritize "stabilizing operations, safeguarding funds, reducing costs and controlling risks", balance development with security, concentrate efforts on fundamentally reversing losses, and focus precisely on "consolidating, deepening, tackling challenges and achieving breakthroughs" through coordinated advancement, striving to realize the Company's high-quality development.

- Consolidating all achievements in the 2025 loss-control campaign, continuously strengthening the cost control of the whole process, safeguarding the fundamental gains in cost reduction and efficiency enhancement, and ensuring that previously attained results are neither diminished nor compromised, but further enhanced.
- Deepening the development of the lean management system, deepening three institutional reforms, strengthening coordination across the industrial chain, and promoting management standards and operational efficiency to new heights.
- Focusing on the recovery of rare and precious metals and the value enhancement of by-products, prioritizing the efficient utilization of mineral resources such as copper, sulfur and molybdenum, concentrating on the research and development of high-end products and market expansion, and ensuring supply chain security and value chain profitability.
- Breaking through the path dependence and shaking off the shackles of inertia. Focusing on open-source profit enhancement and quality-efficiency improvements as core objectives, we shall strive for breakthroughs at the profit inflection point to ensure overall profitability; pursue breakthroughs in core technologies to overcome key bottlenecks in high-end copper product R&D; and seek breakthroughs in mechanism innovation by fully implementing a market-oriented assessment system driven by targets to stimulate the enterprise's intrinsic motivation.

# Management Discussion and Analysis

Specifically, the following five key tasks must be prioritized in 2026:

## A. FOCUSING ON SAFETY AND ENVIRONMENTAL PROTECTION TO LAY SOLID FOUNDATIONS, AND FULLY SAFEGUARDING THE BOTTOM LINE AND RED LINES OF DEVELOPMENT

**Strengthening targeted risk prevention and control.** We will resolutely uphold the baseline of safety and environmental compliance, completing on schedule the renewal of various safety production permits and related prerequisite procedures for Tonglvshan Mine, Fengshan Copper Mine, Tongshankou Mine, Sareke Copper Mine and the smelter. We will rigorously enforce safety and environmental protection regulations for construction projects, thoroughly conduct surveys of hidden hazard factors, and complete drilling verification and filling management of gobbs. We will strictly implement permit systems for hot work, confined space operation and similar activities, promoting measures of “full video surveillance, comprehensive protective measures and complete physical isolation” alongside safety confirmation procedures. This approach prevents and mitigates various safety and environmental risks at source, **achieving a shift from “post-incident response” to “pre-incident prevention”.**

**Deepening systematic rectification efforts.** We will intensify the three-year action to address the root causes of safety production, focusing on key sectors such as mines, tailings ponds and hazardous chemical processing in smelting operation. We will implement special rectification across the entire chain, with all preventive measures fully enforced to eliminate existing hazards and dynamically curb emerging risks. We will accelerate the resolution of historical major risk hazards. We will conduct comprehensive and meticulous inspections of fire safety, civil explosives and special equipment management. We will deepen efforts to tackle soil, groundwater and air/water pollution, fortifying a comprehensive safety and environmental protection barrier. **This marks a shift from “partial control” to “systemic prevention and control”.** Sareke Copper Mine must thoroughly prepare for this year’s central ecological and environmental protection inspection in Xinjiang.

**Enhancing intrinsic safety levels.** Aligned with the requirements of the national Guidelines for Intelligent Mine Construction (2025 Edition) 《礦山智能化建設指南(二零二五年版)》, we will accelerate the development of intelligent mines, fully completing 111 key construction tasks. We will optimize and upgrade the Company’s safety and environmental information platform, enhancing functional modules such as hazard searching and recording, online closed-loop rectification and online approval for hazardous operation, thereby establishing a comprehensive prevention and control system. We will persistently advance large-scale equipment renewal and green low-carbon transformation, enhancing pollutant compliance management and resource recycling capabilities. Driven by digital intelligence and green initiatives, **we will transition safety and environmental management from “manual supervision” to “digital intelligence empowerment”.**

## B. FOCUSING ON LOSS MANAGEMENT, OVERCOMING DIFFICULTIES AND STABILIZING OPERATION, AND MAKING EVERY EFFORT TO WIN THE PROACTIVE BATTLE TO TURN LOSSES INTO PROFITS

**Deepening the exploration of production potential.** The mining sector shall focus on stable and high-yield production alongside value-added by-products as core drivers, ensuring stepwise growth in copper output. Key efforts will center on breakthroughs in copper-sulfur mixed beneficiation and comprehensive sulfur resource recovery technologies at Fengshan Copper Mine and Tongshankou Mine. We will continue to promote projects such as “safe and efficient recovery of residual resources from difficult-to-mine deposits” (礦山難採殘礦資源安全高效回採) and “comprehensive recovery of copper processing and associated valuable resources from mines” (礦山選銅及共伴生有價資源綜合回收), aiming to enhance resource recovery rates and deliver tangible results. **Tonglvshan Mine:** it is needed to enhance the efficiency and proportion of medium-to-deep hole mining areas below the middle portion of -545m; prioritize optimizing production organization and layout of the middle portion between -545m and -605m; refine ore transportation routes; transfer infrastructure waste rock to the mixed shaft for hoisting and gob filling; and increase daily ore hoisting capacity via the main shaft. **Fengshan Copper Mine:** it is needed to implement the mining technology plan, maintain a balanced reserve

# Management Discussion and Analysis

of three grades of ore, enhance coordinated operation between underground mining, tunnelling and filling, optimize mining methods and production organization in large panel area, strengthen recovery of low-grade ore, improve beneficiation processes, precisely adjust reagents, stabilize gold, silver and molybdenum recovery rates, and pursue comprehensive recovery and utilization of multiple valuable metals, aiming for production commencement in March. **Tongshankou Mine:** it is needed to accelerate production tunnelling, prioritizing breakthroughs in -220m at the northern edge, southeast ore body and -280m panel area mining approval projects, ensure seamless pit connections, striving to establish 4-5 ready-to-mine pits per month, with medium-deep hole drilling footage reaching 109,000 meters, optimize integrated ore blending between “open-pit + underground” operation to stabilize feed grades, consolidate mineral recovery rates, and maximize recovery potential for molybdenum and sulfur by-products. **Sareke Copper Mine:** it is needed to optimize production organization to accelerate drilling of panel areas No. 1-5 in ore body No.1 at the 2,715-2,685m level, establishing reserve mining capacity while ensuring balanced underground extraction, supply and filling. Strictly adhere to mining designs and operational procedures, strengthening comprehensive management of drilling, blasting and ore extraction processes alongside dilution of loss control to enhance ore supply grade, intensify exploration at peripheral and deep sections to redefine ore body boundaries, identify blind minor deposits, and bolster reserve reserves.

**Enhancing operational quality and efficiency.** The smelting sector will focus on marginal profits, implementing “profit-driven flexible production” to capitalize on high sulfuric acid prices and rising premiums in copper exports. This strengthens market responsiveness and profit generation capabilities, with both smelters striving for inclusion in the list of Standardized Conditions for the Copper Smelting Industry 《銅冶煉行業規範條件》. Yangxin Hongsheng: it is needed to flexibly adjust production strategies to leverage the low-cost, high-recovery advantages of high-load operation in the fire system, strengthen equipment operation and maintenance to ensure efficient dual-furnace operation, achieving full sulfuric acid production and autonomous treatment of anode scrap, optimize raw material composition and inventory management, increasing processing of complex copper concentrates and sulfuric concentrates to realize profit substitution through raw material structure optimization, actively pursue processing trade qualifications to mitigate profit losses from domestic and foreign market price inversions; continuously advance copper reduction technology for tailings to maintain copper content consistently below regulatory thresholds. **Smelting:** it is needed to organize flexible production within the fire system to mitigate the negative marginal impact of imported ore treatment charges, ensure stable feedstock supply and equipment operation of the fire system through coordinated production, supply and sales efforts, leverage the converter’s advantages in low-cost cold material processing and adaptability to complex raw materials by increasing procurement of anode plates, copper granules and imported cold copper feedstock to maximize the value of profitable raw materials. Building upon 300,000 tons of full-load electrolysis production, we shall procure additional anode plates in response to market conditions, restore the legacy electrolytic system in due time, and expand processing trade exports. This approach will maximize both the utilization rate and profitability of our electrolytic production capacity. **Rare and Precious Branch:** Adhering to the guiding principle of “pursuing excellence without compromise”, we shall intensify technological upgrades to enhance gold and silver recovery rates. We will actively develop downstream markets for high-purity gold and silver, striving to secure trial orders from clients. Our objective is to achieve large-scale sales of 3N selenium products.

# Management Discussion and Analysis

**Rigid cost reduction.** Mining units shall deepen the approach of “benchmarking against industry-leading or internal best practices, identifying gaps in management, technology and operational metrics through comparative analysis, then pursuing emulation, innovation and continuous improvement to ultimately achieve performance enhancement and surpass benchmarks”. This involves decomposing cost targets to the smallest operational units and individual roles, strengthening control over “gross profit margin, operating profit margin and net profit margin after tax”, and reducing production costs per tonne of copper. Smelting units must continuously optimize process technical indicators, enhance the effectiveness of penetrative cost control, and reduce consumption of key energy resources. Yangxin Hongsheng shall strengthen standardized control over energy consumption, equipment and materials throughout the production process, ensuring cathode copper and sulfuric acid costs remain at the industry’s most competitive levels. The smelter shall intensify negotiations with suppliers to substantially reduce oxygen and slag selection costs, controlling variable processing costs for cathode copper and sulfuric acid below established benchmarks. It is needed to accelerate the construction of the low-temperature waste heat recovery project to achieve results at the earliest opportunity. Rare and Precious Branch shall enhance process equipment efficiency, reducing variable costs for anode mud treatment by 3% to below the standard. All production units must strictly adhere to maintenance budgets, eliminating any implementation of unplanned projects, and rigorously controlling expenditure through refurbishment and reuse. It is needed to leverage the advantages of centralized procurement to enhance bargaining power, reduce inventory reserves, accelerate the domestic substitution of critical materials, and establish a quality traceability system for procured goods. This ensures “high quality at competitive prices” while achieving cost savings and efficiency gains in procurement. Simultaneously, it is needed to rigorously manage outsourced operation, prioritizing in-house execution and internal collaboration to promote efficient resource utilization and maximize overall benefits.

## C. FOCUSING ON TECHNOLOGICAL INNOVATION TO BUILD MOMENTUM AND ENHANCE GROWTH, AND FULLY ADVANCING SPECIAL INITIATIVES TO EMPOWER INDUSTRIAL UPGRADING

**Advancing the special action of “resource reserve expansion and production growth” in depth.**

**Accelerating resource production.** We will expedite the advancement of mining rights for the exploration of the deep part of Tonglvshan Mine below -800m and the boundary expansion below -550m at Fengshan Copper Mine. We will accelerate the development and construction of the boundary expansion project for the North Sareke Belt, ensuring key projects deliver tangible results according to milestones to provide robust support for capacity release. **Strengthening resource reserve growth.** We will advance deep exploration at the southern margin of Fengshan Copper Mine and peripheral surveys at Sareke Copper Mine, aiming to add 20,000 tonnes of copper resources. We will persistently conduct production-oriented exploration and prospecting within existing deposits to fully exploit the potential of current mining areas, striving to increase copper ore reserves by 400,000 tonnes this year. **Expanding resource development.** We will optimize resource development layouts, maintaining close communication with local governments at all levels to stay abreast of policy developments, and deepening exploration cooperation with entities such as the Xinjiang Geological Bureau (新疆地質局), striving to secure mining rights in core areas of Xinjiang and Tibet. We will broaden channels for acquiring projects in South America and Central Asia, aiming to achieve substantive breakthroughs.

**Advancing the special action of “technology-empowered new materials” in depth.** Deepening our focus on rare and precious metals. Addressing the comprehensive recovery of valuable metals from copper-separated liquid, silver separating residues and copper-bismuth slags, we will pursue technological breakthroughs such as “research on comprehensive recovery and high-value utilization of valuable elements from non-ferrous metallurgical by-products”. Pilot-scale trials for each recovery process will be completed within the year, providing technical support for the industrialization of deep recovery of elements including selenium, tellurium and bismuth. We shall prioritize breakthroughs in high-purity tellurium product preparation, driving the premiumization of rare and precious metal products.

# Management Discussion and Analysis

**Advancing the special action for developing the three rare metals industry. Coordinating industrial deployment.** We shall rigorously implement and make unified arrangements. Focusing on key metals such as selenium, tellurium, rhenium, bismuth and platinum family elements, we shall systematically plan and accelerate the construction of integrated recovery systems for smelting by-products, comprehensively enhancing the efficient recovery and comprehensive utilization of associated metals. **Concentrating on breakthroughs in key areas.** Fully utilizing the waste acid resources of Yangxin Hongsheng, we will establish an ammonium rhenate production line to swiftly achieve stable production capacity for ammonium rhenate, thereby cultivating new profit growth points. **Deepening systematic research.** Building upon our existing smelting businesses, we shall conduct in-depth systematic research into establishing integrated recovery systems for selenium, tellurium and bismuth. We will advance studies on extending the downstream bismuth industrial chain, formulating industrial development plans to lay a solid foundation for achieving our objectives: securing a top-five national ranking for selenium and bismuth materials, and placing tellurium and rhenium products among the nation's top three producers.

**Advancing the special action of "digital intelligence for new quality productivity" in depth. Accelerating intelligent mining construction.** We shall advance key projects including the second phase of the Tongshankou Mine's mineral processing expert system and intelligent power supply and distribution system, the upgrade and transformation of Fengshan Copper Mine's grinding system, and the construction and operation of Tonglvshan Mine's intelligent control platform. This ensures the successful completion of the three-year action of intelligent mine construction by the end of the year, providing digital and intelligent data support for mining operation. **Expediting smart factory construction.** We shall orderly advance the construction of the "lights-out factory" of Yangxin Hongsheng, complete the construction of the electrolytic cell process, and conduct integrated data flow testing across the entire business process in conjunction with the processing and batching process stages. Rare and Precious Branch will focus on key scenarios such as selenium slag conveying and automatic dosing for rough refining gold precipitation, deepening automation upgrades and the application of intelligent equipment to enhance on-site precision and intelligent control. **Accelerating the digital and intelligent transformation of finance.** We shall ensure the smooth parallel operation of new and legacy accounting systems, advance deep integration between business information systems and financial systems, and comprehensively elevate integrated business-finance management capabilities.

**Advancing breakthroughs in core technologies in depth.** We shall deepen research into safe and efficient mining processes, pursuing technological advances in mechanized, safe, efficient and cost-effective extraction, continuous mining and precision control of blasting for complex, hard-to-mine residual ore deposits. This will sustainably enhance production efficiency and resource recovery rates. For major mining projects such as the northern expansion of Sareke Copper Mine and the development of the southern ore belt, we shall achieve breakthroughs in optimizing mining and beneficiation processes to tangibly enhance resource security capabilities. We shall advance research into efficient recovery of associated metals in polymetallic sulfide ores at Fengshan Copper Mine and the beneficiability of flash smelting furnace slag, further improving technical indicators to achieve efficient resource recovery. We shall pioneer clean and efficient recovery of scattered metals such as ruthenium, rhodium and iridium from copper anode mud, alongside novel silver refining processes. Research into copper-bismuth alloy processing and deep-processing of bismuth products will advance comprehensive resource recovery and elevate overall utilization benefits.

# Management Discussion and Analysis

## D. FOCUSING ON DEEPENING REFORM TO ACHIEVE BREAKTHROUGHS, WE WILL FULLY UNLEASH NEW MOMENTUM FOR TRANSFORMATION AND UPGRADING

**Strengthening investment control.** We shall rigorously control investment access points, implement stringent design reviews and optimize scheme comparisons, while ensuring all investment costs are fully accounted for. We will enhance the investment assessment framework, strengthen penetrative supervision of investment activities alongside post-investment management oversight and evaluation. This will emphasize the core importance of investment returns, leveraging projects to support cost reduction, efficiency gains, green and low-carbon development and resource recycling. We shall prioritize accelerating key technical upgrade projects, including volume and weight reduction of arsenic-sulfide residues at smelters, low-grade waste heat recovery in the third sulfuric acid production system, integrated copper-sulfur separation at mining units, and comprehensive sulfur resource recovery.

**Advancing key special reforms. Refining the new operational accountability system.** We shall scientifically establish differentiated assessment metrics, continuously raise the challenge level of target-setting, guide all units to rigorously implement evaluations, widen income disparities based on performance, and facilitate personnel exit under contractual provisions, thereby establishing robust incentives and stringent constraints. **Persistently deepening market-oriented human resource mechanisms.** We will implement “defining functions, defining organizations and defining staffing” across all tiers, strictly controlling staffing quotas while promoting “broadly defined positions and job categories” management to continuously optimize human resources. We shall maintain a close integration of investment in physical assets and investment in human capital, focusing on enhancing the capabilities and competencies of all personnel. We will refine the management personnel assessment system, rigorously implement systems such as term-based appointments and contractual management for managerial staff, along with annual comprehensive evaluations, and fully advance the rigid implementation of mechanisms for the exit of underperforming managers. We will deepen differentiated remuneration reforms to fully stimulate the entrepreneurial vitality of all employees.

## E. FOCUSING ON LEAN MANAGEMENT WITH STRICT CONTROL, AND MAKING EVERY EFFORT TO SOLIDIFY STRONG SUPPORT FOR IMPROVING QUALITY AND EFFICIENCY

**Strengthening capital management.** We shall dynamically calculate and allocate funds around the Company’s major strategic projects to safeguard capital requirements for key projects. For maturing loans, we shall formulate renewal plans to smooth the debt repayment peak from 2026 to 2028, thereby fortifying our capital security defences. We shall maintain close oversight of inventory structure optimization, strictly controlling cold material and anode mud stocks while balancing raw material and finished goods inventories. This will ensure that increases in accounts receivable and inventory do not exceed revenue growth, enabling comprehensive achievement of core financial metrics such as operating cash flow and enhancing the quality and efficiency of capital operations. We shall expand short-term flexible credit facilities, reduce standby fund positions, and optimize capital processes to achieve intensive cost reduction. We shall actively pursue policy benefits such as fiscal subsidies and tax incentives.

**Strengthening precision management.** We shall enhance market tracking and price alert mechanisms for key products such as sulfuric acid, establishing a monitoring indicator system centered on treatment charges fluctuations, load execution rates, long-term contract fulfilment progress, mineral and energy consumption, loss per tonne, and cash flow projections to achieve end-to-end refined control. We shall continuously refine the economic benefit calculation model for mining and metallurgy operation. This includes implementing monthly rolling profit forecasts and budget deviation rate assessments, deepening the penetration of operational analysis, enhancing the quality and efficiency of budget scheduling mechanisms, and driving the effective implementation of cost reduction, efficiency improvement, indicator optimization and marketing profit generation initiatives.

# Management Discussion and Analysis

**Strengthening 6S on-site management.** We shall employ the 6S methodology as an important tool for rigorous internal training and enhancing management proficiency, mobilizing all personnel to implement the requirements of sorting, organizing and cleaning to improve workplace environments for specific roles. We shall advance standardized cleanliness, routinely implement visual management systems, and progressively elevate the professional standards of all personnel. Adopting a problem-oriented approach and adhering to the principles of “on-site, tangible, and realistic” practices, we will deepen management from environmental improvements towards lean operation. This will focus on resolving issues such as waste, fluctuations and rigidity, thereby empowering operational quality and efficiency enhancement through enhanced on-site management.

**Strengthening quality management.** We shall deepen the study and implementation of the new version of the quality management system standards, continuously optimize the operational efficiency of the system, and ensure the simultaneous enhancement of its suitability, adequacy and effectiveness. We shall strengthen market engagement and customer focus, rigorously enforce internal control standards, steadily improve product and service quality, and solidify foundational capabilities at the grassroots level to fortify the foundation of quality management on production sites. We will refine a clear accountability framework for inspection oversight, advance the development of a data-driven, information-enabled and intelligent quality risk prevention system, systematically enhance quality inspection and measurement management capabilities, and reinforce our quality risk defences.

**Strengthening compliance management.** We shall uphold the principle of “governing the enterprise according to law and operating in compliance with regulations”, continuously deepening the synergistic operation and implementation of responsibilities within the core framework of enterprise risk management and internal controls. We shall systematically refine our compliance management framework, clarifying standards and requirements for business compliance reviews while embedding compliance requirements throughout operational workflows and decision-making mechanisms. We will establish robust mechanisms for routine compliance risk identification, assessment and response, conducting targeted inspections and rectifications in critical areas and stages such as raw material intake, product dispatch and weighing procedures. Furthermore, we shall enhance the quality and effectiveness of legal reviews for major operational decisions, contract management and international business operations.

## EQUITY

The Company’s issued and fully paid share capital as at 31 December 2025 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 2025, the Group’s receipts and payments were mainly denominated in RMB.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2025, the Group had restricted bank deposits, and cash and bank balances of approximately RMB1,921,950,000 (2024: RMB1,535,250,000), the majority of which were denominated in Renminbi. The Group's current ratio was approximately 1.36 (2024: 1.25), based on current assets of approximately RMB19,353,148,000 (2024: RMB15,445,467,000) divided by current liabilities of approximately RMB14,262,046,000 (2024: RMB12,327,942,000). The Group's gearing ratio as at 31 December 2025 was approximately 463.53% (2024: 481.31%), based on net debts (which included bank and other borrowings, lease liabilities and promissory note less restricted bank deposits, and cash and bank balances) of approximately RMB14,541,571,000 (2024: RMB14,841,875,000) divided by equity attributable to owners of the Company of approximately RMB3,137,159,000 (2024: RMB3,083,611,000). The gearing ratio remained basically the same on year-on-year basis.

As at 31 December 2025, the Group had sufficient funding to pay off all its outstanding liabilities and meet its working capital requirement.

## BORROWINGS

As at 31 December 2025, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB16,322,850,000 (2024: RMB16,253,366,000).

As at 31 December 2025, the Group had bank and other borrowings of approximately RMB6,822,104,000 (2024: RMB8,130,983,000) and approximately RMB8,235,386,000 (2024: RMB6,899,371,000) 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 2025.

# Management Discussion and Analysis

## PERFORMANCE AND PROSPECTS OF KEY INVESTMENT

The Company, based on its own actual development and responding to the new landscape of enhanced resource security, accelerated technological iteration and deepened green transformation in non-ferrous metals sector, has formulated investment plans centered on four key strategic directions. Firstly, regarding the exploration and increase of reserves of mineral resources and the strategic resources arrangement, we continued to advance deep exploration and prospecting to increase reserves at the in-depth part of our own mines, accelerate the construction and implementation of key mine projects, further consolidate the foundation for long-term mineral resource supply security, and strengthen our control over strategic resources. Secondly, we implemented technological empowerment and reform across the entire process, deepening the intelligent mine construction and advancing the construction of Yangxin Hongsheng's "dark factory". This involved intensifying the promotion and application of intelligent equipment and digital technologies to comprehensively enhance total factor productivity and intrinsic safety level, thereby driving the transformation of production models towards high-efficiency and intelligent operation. Thirdly, traditional industries underwent transformation and upgrading, advancing large-scale equipment renewal and technical reform. The adoption of advanced manufacturing techniques and high-end equipment was promoted, accelerating the progression of traditional industries towards the mid-to-high end of the industrial chain and enhancing their core competitiveness. Fourthly, the three rare metals industrial chain was developed. Focusing on selenium, tellurium, rhenium, bismuth and other rare precious metals, we carried out researching and developing high-value-added new materials, cultivated strategic emerging industries as growth pole, and created new profit growth points. Through the coordinated advancement of these four major investment directions, we effectively drove resource reserve expansion and production growth, achieved breakthroughs in technological empowerment, and expanded emerging industries, comprehensively supporting the Company's green and high-quality development.

Save as disclosed above, the Group did not make any other significant investment during the year ended 31 December 2025.

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

The annual investment plan focuses on four key areas: reserve expansion and production growth of mineral reserves, technological empowerment across the entire process, transformation and upgrading of traditional industries and the three rare metals industrial chain. Through efficient investment, it aims to foster new quality productivity and comprehensively support the Company's green and high-quality development to new heights. The Company's fixed asset investment plan for 2026 amounts to RMB328.053 million. Key investment projects are as follows:

# Management Discussion and Analysis

## 1. Non-ferrous metal resources development and utilization projects

### (1) *The development of the -440m~-550m of Fengshan Copper Mine*

In 2026, it is planned to complete the following: the total drilling volume 33,161m<sup>3</sup> of -440m to -550m of ramp of the south rim, -440m to -550m of ramp of the north rim, and -500m middle portion of the south rim. The planned investment is RMB21 million.

### (2) *The development of No. IV ore body of the -665m and -725m middle portion of Tonglvshan Mine*

In 2026, it is planned to complete the following: the total drilling volume 15,059m<sup>3</sup> of -725m middle portion of the ore drift, transverse drift and prospecting chamber, -605m to -725m of chute, -665m to -725m of ramp and sectional drifting excavation, and the ancillary installations of wind, water, electricity equipment and filling pipe. The planned investment is RMB14.58 million.

### (3) *Expansion in the north mining belt of Xinjiang Sareke Copper Mine*

In 2026, it is planned to complete the following: the total drilling volume 18,195m<sup>3</sup> of 2,631m to 2,610m main ramp (extension), 2,610m mining area substation chamber, 2,610m pump house, tunnel extension of 2,610m to 2,670m inverted air return shaft, and partial construction of ore drift tunnel. The planned investment is RMB10 million.

## 2. Intelligent mine construction project

### (1) *The intelligent construction of Tonglvshan Mine*

In 2026, it is planned to complete the following: dispatch center renovation, optimization of six major systems, automation upgrades in ore processing, intelligent equipment operation and maintenance management system, industrial network architecture, mineral processing expert system, etc. The planned investment is RMB23.93 million.

### (2) *The intelligent construction of Fengshan Copper Mine*

In 2026, it is planned to complete the following: construction of the all-information visualization system and intelligent equipment operation and maintenance management system. The planned investment is RMB1.7 million.

### (3) *The intelligent construction of Tongshankou Mine*

In 2026, it is planned to complete the following: mineral processing expert system, intelligent power supply and distribution system (phase II), warehouse logistics management systems, underground collision avoidance systems, etc. The planned investment is RMB10.4 million.

## 3. Development project for three rare metals industrial chain

In 2026, it is planned to establish a three rare metals industry-academia-research platform to integrate breakthrough core technology research. By fostering deep collaboration between industry-academia-research resources in technical breakthrough, this will accelerate the transformation and commercialization of achievements, with a planned investment of RMB63 million. Among them, Rare and Precious Branch plans to construct an industrial pilot plant and implement a 7N ultra-high-purity tellurium production project, with an planned investment of RMB8 million. Yangxin Hongsheng plans to undertake a comprehensive rhenium recovery and production project, with an planned investment of RMB55 million.

# Management Discussion and Analysis

## 4. Industrial upgrade and transformation project

### (1) *The “dark factory” of Yangxin Hongsheng*

In 2026, it is planned to complete the following: intelligent car wash platform system, automated processing of wasted FIBC packaging, machine vision recognition system for measuring the liquid level height in the bottom tank of the smelting furnace, fully intelligent automated acid loading system, re-collection at plant-wide monitoring points, enhancement of supporting software for private cloud expansion, data-based approach to governance, etc. The planned investment is RMB9.65 million.

### (2) *Automation upgrade and transformation of Rare and Precious Branch*

In 2026, it is planned to complete the following: automatic delivery and storage management system for selenium-enriched residue, automatic dosing system for rough refining gold precipitation, automatic inspection system for the power distribution room, DCS system upgrade and transformation, safety and environmental information system. The planned investment is RMB5.3 million.

## 5. Large-scale equipment renewal project

It is planned that 167 sets of equipment will be renewed in 2026, with a planned investment of RMB57.613 million (excluding equipment related to the intelligent mining construction and intelligent smelting transformation projects). Among them, 34 sets of equipment/RMB14.44 million are planned to be renewed at Tonglvshan Mine; 10 sets of equipment/RMB7.75 million are planned to be renewed at Fengshan Copper Mine; 17 sets of equipment/RMB8.84 million are planned to be renewed at Tongshankou Mine; 45 sets of equipment/RMB7.75 million are planned to be renewed at Xinjiang Sareke Copper Mine; 11 sets of equipment/RMB6.1 million are planned to be renewed at smelter; 6 sets of equipment/RMB4.27 million are planned to be renewed at Yangxin Hongsheng; 20 sets of equipment/RMB5.63 million are planned to be renewed at the Rare and Precious Branch; 23 sets of equipment/RMB1.333 million are planned to be renewed in the Quality and Measurement Center; and 1 sets of equipment/RMB1.5 million are planned to be renewed in the Company's headquarters.

## PROSPECTS OF THE GROUP

The year 2026 marks a critical year for the Company to consolidate its achievements in controlling and reducing losses, and striving to achieve a turnaround from deficit to profit. Presently, the ongoing deepening of Sino-US strategic competition is reshaping the global economic and trade landscape. The copper smelting industry faces intensifying contradictions of overcapacity, a persistently widening raw material gap and a severe mismatch between costs and pricing, creating a challenging environment that significantly amplifies development pressures. We must maintain strategic clarity, anticipate risks and seek change, break through the impasse and forge ahead. We must further strengthen our cost-conscious operational mindset, enhance our self-sustaining profitability, cultivate a pragmatic and determined work ethic, and prepare ourselves for tough, hard and prolonged campaigns.

## CHARGES ON ASSETS

As at 31 December 2025, other deposits which amounted to approximately RMB1,162,155,000 (2024: RMB531,260,000) were held in futures exchanges and certain financial institutions as security for the commodities derivative, and other financing were secured by bank deposits and balances amounting to approximately RMB Nil (2024: RMB nil).

## CONTINGENT LIABILITIES

As at 31 December 2025, the Group had no significant contingent liabilities.

# Report of the Directors

The directors of the Company have the pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

## 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 29 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:

|                       | 2025   | 2024   |
|-----------------------|--------|--------|
| Gross Profit Margin   | 1.94%  | 2.80%  |
| Debt to Assets Ratio  | 83.94% | 81.89% |
| Current Ratio         | 1.36   | 1.25   |
| Assets Turnover Ratio | 2.40   | 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

The dual zero targets of zero sudden environmental events and zero administrative penalties throughout the year were achieved; the emissions of major pollutants such as sulfur dioxide, nitrogen oxides, chemical oxygen demand and ammonia nitrogen reached the requirements; the rectification task of the central environmental protection inspection entered the final stage, with the environmental protection situation remaining generally stable and continuing to improve.

**Firstly, the follow-up work after the environmental inspection was diligently completed.** All 34 rectification measures for issues identified during the central environmental inspection have been fully implemented and accepted in January 2025. On 11 February 2025, the supervision group of the Ministry of Ecology and Environment conducted on-site verification of the Company's rectification for environmental protection inspection, giving high praise to the Company's efforts. The smelter formulated and implemented four rectification measures to address the raw exhaust gas from the converter. Chimashan Mine invested RMB4.37 million to carry out the ecological restoration and improvement project for Pit No. 4, further consolidating the rectification achievements. **Secondly, the identification and investigation of potential risks and hazards were strengthened.** Special inspections of environmental protection at the company level were carried out every quarter, and 230 problems were found throughout the year, all of which have been rectified. Special inspections on matters such as pollution discharge permits, online monitoring facilities and hazardous waste compliance were continued, with over 100 issues identified. **Thirdly, solid progress was made in promoting the construction of a beautiful China.** Yangxin Hongsheng passed on-site verification as an A-grade and B-grade enterprise under the heavy pollution weather performance grading system. Rare and Precious Branch completed transformation of rain and sewage diversion and water balance optimization project, reducing fresh water consumption by 10%. The smelter, Yangxin Hongsheng, Tonglvshan Mine, Tongshankou Mine, Fengshan Copper Mine and Sareke Copper Mine continuously conducted clean production audits and acceptance inspections. A total

# Report of the Directors

of 14 medium-to-high-cost solutions and 78 free/low-cost solutions were implemented, with a total investment of RMB212 million. This yielded quantifiable economic benefits of approximately RMB136 million and reduced electricity consumption by 19.4021 million kWh/a. The early warning mechanism of the safety and environmental information platform was optimized, establishing fixed-value alerts for 18 sets of environmental online monitoring equipment of the Company, with 100% abnormal alert resolution rate. **Fourthly, training was precisely targeted at key management areas.** A series of special training programs were conducted in critical domains such as online monitoring, the Great Protection of the Yangtze River and soil remediation, covering 388 internal employees to address specific weaknesses in environmental management. An innovative model of “theoretical instruction + case study warnings + practical application” was implemented to enhance foundational clean production audit capabilities, with six individuals successfully obtaining clean production audit certification. Training was closely aligned with the Company’s ecological conservation requirements, achieving deep integration of policy interpretation and practical operations. This effectively reinforced awareness of environmental red lines among all employees and comprehensively promoted the systematic level of the Company’s environmental management.

Save as disclosed above, there was no material non-compliance with environmental laws and regulations in 2025.

## COMPLIANCE WITH LAWS AND REGULATIONS

As the business operation of the Group is mainly located in the PRC, we are subject to the PRC laws and regulations that have material impact on the Group, including energy resource utilization, environmental protection, safety production, employment, supply chain management, product quality and technical supervision, and anti-corruption. Please refer to the relevant sections of 2025 Environmental, Social and Governance Report of the Company for related information.

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 to order the termination of operations and shutdown.

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.

Save as disclosed above, there was no material non-compliance with laws and regulations in 2025.

### *Safety Production*

Please refer to the relevant sections of 2025 Environmental, Social and Governance Report of the Company for related information of safety production.

# Report of the Directors

## THE PRINCIPAL RISKS AND UNCERTAINTIES

### I. The Forecast and Assessment Report of Major Operational Risks for the Year 2026

#### A. Prevention and control of major operational risks.

- 1. Major operational risk prevention and control efforts.** Firstly, reinforcing primary responsibility by top-level planning. The Company has established a risk prevention and control mechanism featuring comprehensive leadership planning and deployment, Board decision-making and approval, Audit Committee guidance and supervision, risk management department oversight, and coordinated support from subordinate units and business functional departments. The Company's leadership team regularly reviews major operational risk prevention and control efforts, addressing significant matters on a case-by-case basis. The annual and quarterly reports on major operational risk monitoring and special risk situation reports are reviewed through the general manager's office meetings, clarifying the approach and priorities for major risk prevention and control, and prudently addressing key challenges and difficulties in risk prevention and control. The principal leader earnestly fulfils the primary responsibility for major risk prevention and control, personally deploying major initiatives, personally overseeing significant issues, personally coordinating key processes, and personally supervising risk incidents. Secondly, breaking down management barriers to enhance governance effectiveness. The Company establishes a collaborative mechanism through functional integration, organically consolidating functions previously managed across different departments, including comprehensive risk management, compliance management, internal management, policy development, legal litigation and procurement/trade supervision, under the unified management of the legal and risk control department. This clears the management boundaries, eliminates buck-passing, and establishes a multidimensional, coordinated risk management mechanism covering pre-, mid – and post-transaction stages. Thirdly, implementing the mechanism whereby the General Counsel (Chief Compliance Officer) attends meetings and reviews the legality and compliance of major operational and management matters. Fourthly, organizing major risk assessments and controls. The Company has organized the preliminary assessment of major operational risks for 2025. Considering changes in the market environment, commodity prices and other risks, the Company comprehensively identified the types of major operational risks, objectively reflected the risk characteristics, assessed the top five major risks by a "quantitative + qualitative" approach, formulated indicators for quantifying and monitoring risks, and supervised the implementation of relevant control measures on a quarterly basis. The Company implemented a monthly reporting mechanism for operational risk incidents, ensuring timely awareness of such events across all units and departments. The Company strictly adhered to its case management system, with all necessary litigation pursued and cases handled in accordance with established procedures.
- 2. Development of risk management system.** The Company continues to carry out the work on the development of a risk management system. With a focus on key business segments such as investment, tender and procurement, assets management, quality supervision and inspection and research projects management, the Company newly establishes or revises key area management systems such as Copper Raw Materials Procurement Management (《銅原料採購管理》), Sales Management of Mineral and Metallurgical Products (《礦冶產品銷售管理》), Fixed Assets Management (《固定資產管理》), Inspection Management Measures (《檢驗管理辦法》) and Administrative Measures for Science and Technology Projects under the "Open Competition Mechanism to Select the Best" System (《“揭榜掛帥”科技項目管理辦法》), which provide a systematic basis for standardizing the risks of the business and implementing the requirements for risk management. The Company focuses on key risk areas in management, employing strategic self-assessment mechanisms, inspections of policy implementation, and special audits by the audit department to oversee compliance. The Company coordinates oversight resources to conduct various special rectifications and inspections, such as Special Rectification of Violations in Procurement Contract Execution, Anti-Corruption and Efficiency-Enhancing Contract Risk Investigation, Systematic Rectification of Outstanding Issues in Bidding and Tendering, and Special Inspection of Internal Controls over Purchase-sale-stock. These efforts promote transparent supervision and continuously strengthen the rigid enforcement of internal control systems.

# Report of the Directors

### 3. Early warning, monitoring and control of major operational risks.

#### (1) *Operational efficiency risks.*

The Company prioritizes safe production and stable operation. Mining units seize the opportunity of elevated copper prices to maximize output and efficiency, and enhance mining efficiency and mining capacity by strengthening mine production scheduling, optimizing mining methods, and improving the utilization efficiency of trackless equipment. The smelting units adopt a profit-driven approach to precisely organize production, optimize system balancing, enhance production-sales coordination and strengthen metal balance management, achieving copper metal recovery rates exceeding 98%. Concurrently, the Company stabilizes domestic ore procurement channels and delivery volumes by optimizing raw material sourcing strategies, expanding diversified resource channels, diligently monitoring the fulfilment of long-term import contracts, and refining key contractual terms. These measures ensure the security and stability of the supply chain. Amidst the industry's severe overall pressures, the Company has safeguarded its core business operation, minimized the impact on profitability caused by exceptionally low treatment charges, and accumulated crucial momentum for future recovery.

#### (2) *Non-ferrous metal price risk.*

The Company rigorously enhances its research and forecasting of policies and market prices, maintaining close vigilance over the impact of international and domestic economic policies on operation. Through investigation and analysis of industry conditions and market supply-demand dynamics, the Company routinely conducts risk monitoring for hedging activities. Key areas such as international trade policies, market pricing and capital conditions are subject to dynamic major risk thresholds for periodic alerts. The Company strictly maintains balanced hedging operation, controlling scope of open position while seizing the opportunity of export windows to select overseas pricing models and intensify export pricing efforts. This mitigates adverse raw material import price differentials and avoids market risks. Regarding product sales, the Company leverages three major distribution channels, i.e. provincial/neighboring regions, East China along Yangtze River and Shanghai trade, to establish a multi-dimensional sales network. By leveraging geographical advantages to develop local customers, we continuously refine our industrial chain integration. Concurrently, the Company rationally allocates the proportion of long-term and spot sales orders, and rigorously manages customer relationships to ensure timely order fulfilment.

#### (3) *Macroeconomic risk.*

The Company has engaged a professional institution to compile the Copper Industry Development Analysis Report 《銅產業發展分析報告》, which assesses trends, analyses internal and external environments and policy directions, identifies opportunities and challenges, and formulates the Company's development plan. This establishes preliminary general principles, core objectives, key tasks and implementation pathways, anchoring the direction for the Company's future development. The Company has effectively controlled the occupation of funds in accounts receivable and inventory, issuing the 2025 Capital Quota Control Work Plan 《2025年資金定額管控工作方案》 and the Company's 2025 Special Action Plan for Controlling Accounts Receivable and Inventory 《公司2025年度“兩金”管控專項行動工作方案》. This has optimized cash flow management and enhanced capital turnover efficiency, with all capital indicators maintained within the Group's control requirements. The Company has advanced the clearance of accounts receivable, with no significant credit risk loss events occurring so far this year.

# Report of the Directors

(4) *International operational risk.*

In managing foreign exchange risk, the Company actively communicates with the Group to secure approval for the 2025 Operational Plan for Currency-Related Financial Derivatives (《貨幣類金融衍生業務 2025 年度操作計劃》). Quarterly progress reports are submitted, with treasury systems utilized to enhance the statistical analysis and reporting of foreign exchange exposure positions and exchange gains/losses. The Company has reinforced its futures-spot linkage mechanism, regularly updating positions for prepaid imported ores not yet priced. It monitors the impact of LME copper spread structures on the distribution of pricing months, and adjusts the timing of payments for imported raw materials based on exchange rate trends to reduce foreign exchange exposure and transaction risks. The Company closely monitors import-export policy developments and Sino-US trade tariff negotiations. It has emailed all imported raw material suppliers to confirm rejection of US and Taiwanese ore shipments, ensuring no US copper concentrate in transit for import in 2025.

(5) *Market competition risk.*

The Company has firmly established the principle of “living more frugally” (過更緊日子), formulating measures to address losses and overcome difficulties across four key areas: reform for efficiency improvement, cost reduction for efficiency improvement, operation for efficiency improvement and production increase for efficiency improvement, with the implementation outcomes for the year exceeding expectations. By leveraging its centralized procurement function and consolidating bulk material procurement demands, the Company has effectively strengthened its procurement bargaining power. In technological innovation, the Company has continuously increased investment in the establishment of technology projects and funding, advancing new product development and extending the industrial chain. It has completed kilogram-scale verification trials for 5N-grade gold and silver, developed qualified 5N products, and advanced the construction of the 3N selenium preparation project. In product sales, the Company has assessed the impact of the Sino-US tariff dispute on all marketing operations, strengthened market information gathering and analytical capabilities, and enhanced production-sales coordination for sulfuric acid. While stabilizing the provincial market, it has actively pursued opportunities outside the province. Communication with peer acid-producing enterprises has been intensified to coordinate market assessments and pricing strategies, with continuous refinement of the sulfuric acid price forecasting model and 100% sulfuric acid production-to-sales ratio achieved in 2025, ensuring safe and stable production for smelting units.

4. **Reporting and disposal of major operational risk events.** The Company did not experience any major operational risk events in 2025.

*B. Accurate review on major operational risk forecast and assessment in 2025*

The Company predicted and evaluated the top five major operational risks with high probability and substantial impact for 2025 as follows: operational efficiency risk, non-ferrous metal price risk, macroeconomic risk, international operational risk and market competition risk. Following a year of practical verification, the major risks predicted and evaluated at the beginning of the year demonstrated considerable forward looking and accuracy in both risk classification and impact assessment. Overall, all five predicted risks materialized in 2025, intertwining and mutually reinforcing one another. The actual impact of certain risks, particularly the “resonance effect” arising from their intertwined and cumulative nature, exerted a greater operational impact on the Company than anticipated at the beginning of the year.

# Report of the Directors

The forecast of operational efficiency risks was accurate, with its impact exceeding expectation. The primary concern highlighted in the year's initial projections was that "declining treatment charges would negatively impact smelting segment profits", directly pinpointing the Company's core operational pain point for 2025. In reality, copper smelting treatment charges (TC/RC) experienced a precipitous decline and have persisted at exceptionally low levels, severely eroding the Company's profit base.

The forecast of non-ferrous metal price risk, macroeconomic risk and international operational risk generally aligned with market realities. The Company successfully anticipated heightened complexity in the international trade environment and risks associated with shifts in major market trade policies, designating "adjustment of U.S. import tariffs on critical raw materials" as one of the key risks to monitor for the year. The subsequent implementation of the US "Section 232" validated this forecast. Adequate advance warnings and contingency preparations provided effective guidance for selecting appropriate pricing models. However, under conditions of sharp price volatility, further strengthening analysis of price trend and market supply-demand remains necessary.

The market competition risk forecast and assessment were accurate. The concentrated release of domestic and international smelting capacity, coupled with the deep inversion of import copper concentrate treatment charges, has significantly intensified market competition in China's copper smelting sector. The entire industry now is in a phase of overall "negative profitability". The Company's inherent structural weakness of low resource self-sufficiency has been amplified within this competitive environment.

## *C. The main problems in the prevention and control of major operational risks in 2025*

The main problems in the prevention and control of major operational risks in 2025 were that, first, risk early warning systems lacked sufficient foresight, and risk quantification capabilities required enhancement. Current major operational risk monitoring indicators predominantly relied on historical data and macroeconomic information, demonstrating limited capability in detecting hidden risks and cross-sectoral risk transmission. Assessments of certain operational and strategic risks remained overly reliant on qualitative descriptions, lacking precise quantitative models to accurately measure risk exposure and potential losses. Consequently, warnings often lagged behind the actual occurrence of risks. Second, the specificity and operational feasibility of risk response plan required enhancement. Certain plans remained rather generalized, lacking clear detailed procedures and resource allocation schemes for addressing specific, sudden risk events. Third, there was a shortage of multi-disciplinary risk management professionals, with disparities in the implementation of risk prevention and control at the grassroots level. Although risk awareness was improved in some subordinate units, there remained a gap in the self-motivation and professionalism required to deeply integrate risk management requirements into daily business decision-making and operation, resulting in a phenomenon where enthusiasm was strong at the top, moderate at the middle, and weak at the bottom (上熱中溫下涼).

## **II. Situation of the organization of major operational risk forecast and assessment in 2026**

- A. The Company strengthens organizational leadership to formulate risk assessment plans. The Company strengthens organizational leadership, plans work deployment, and the main person in charge of the Company approves and issues the "Notice on Doing a Good Job in the Company's Major Operational Risk Forecast and Assessment in 2026" (《關於做好公司 2026 年重大經營風險預測評估有關工作的通知》), which clarifies the work objectives and requirements.
- B. Units and departments collaborate to collect risk assessment information. They collect information in accordance with the six aspects of strategic risk, financial risk, market risk, operational risk, legal risk and other operational risks, and each unit and relevant department submits a risk assessment report to provide a basis for carrying out risk assessment.

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- C. The Company comprehensively uses methods to organize risk identification and assessment. According to the risk assessment quantitative index system and risk control list of the Company, it sorts out 29 risks of secondary level that have significant impact on the operation and development of the enterprise, sets the assessment criteria for the possibility of risk occurrence and the degree of risk impact, designs major risk assessment questionnaire, and organizes the senior management of the Company, managers above the deputy department level of the headquarters and the main person in charge of the secondary unit to participate in the major risk assessment questionnaire survey.
- D. The Company conducts a comprehensive forecast and assessment of major risks. The Company examines operational risks from the perspectives of the macro environment, industry environment, core competitive capabilities and rationality of asset allocation. It employs a combination of qualitative and quantitative analysis to identify major risks for different risks.
1. The Company summarizes the results of the risk assessment questionnaire, calculates the risk value in the assessment results according to the formula "risk value = probability of occurrence \* degree of impact", and ranks the risks as a reference for risk assessment.
  2. Focusing on the Company's overall business objectives for 2026, the Company conducts in-depth analysis on the changes in the risk situation faced by macro policies, market environment and commodity prices. Combined with the characteristics of the non-ferrous metal smelting industry and the actual operation, as well as the risk events occurred in recent years, the Company conducts comprehensive research and judgment on the risk factors affecting the steady production and supply and improvement of efficiency, and predicts and evaluates the top five risks in 2026 are: non-ferrous metal price risk, operational efficiency risk, international operational risk, macroeconomic risk and safety, environmental protection and quality risk.

| The major risks of the Company for 2026 |                  |   |                           |        |            |
|---|------------------|---|---------------------------|--------|------------|
| No.                                     | Primary risk     | Secondary risk                                    | Probability of occurrence | Impact | Risk value |
| 1                                       | Market risk      | Non-ferrous metal price risk                      | 3.50                      | 3.63   | 12.71      |
| 2                                       | Operational risk | Operational efficiency risk                       | 3.13                      | 3.25   | 10.17      |
| 3                                       | Strategic risk   | International operational risk                    | 3.13                      | 3.13   | 9.80       |
| 4                                       | Strategic risk   | Macroeconomic risk                                | 3.00                      | 3.13   | 9.39       |
| 5                                       | Operational risk | Safety, environmental protection and quality risk | 2.38                      | 2.63   | 6.26       |

## III. Analysis, judgment and prevention and control measures of major operational risks in 2026

### A. *Non-ferrous metal price risk*

1. Risk research and judgment: The core contradictions in the global copper market in 2026 will remain centered on the high uncertainty surrounding Trump's trade policies and the strategic maneuvering among nations in response, which will continue to amplify market risks. Amidst multiple factors including trade disruptions and geopolitical tensions, copper prices are expected to maintain a high-volatility range in the near to medium term: on one hand, supported by structural shortages in copper concentrate, robust demand from new energy and AI sectors and macroeconomic policy underpinning, on the other hand, restrained by trade policy interference, demand suppression due to elevated prices and accelerated substitution processes. In the medium to long term, the copper price baseline is expected to shift upwards. Relevant institutions forecast that the average LME copper price will exceed US\$11,000 per tonne in 2026, before potentially falling slightly to US\$10,800 per tonne in 2027. Regarding domestic prices, assuming a stable RMB exchange rate, the overall trend for SHFE prices is expected to mirror that of LME prices.
2. Impact assessment: The budget price of copper cathode is RMB77,000 per tonne, while the budget price of sulfuric acid is RMB362 per tonne, which will have a negative impact on profits when the market price is lower than the budget price. In scenarios where single-sided futures positions are substantial, price fluctuations will lead directly to an increase in the risk rate of futures positions, which will pose risks to capital security and position stability.
3. Prevention and control objectives: The sales strategy is in line with the characteristics of market fluctuations, and the hedging business is strictly regulated to avoid the risks caused by price fluctuations.
4. Prevention and control measures: The Company rigorously implements full-process management and control of its futures hedging operations, establishing a robust closed-loop management system encompassing strategy formulation, trade execution, dynamic monitoring and post assessment. At the strategy formulation stage, the Company develops clearly structured and well-defined hedging plans based on multi-dimensional, in-depth analysis of commodity markets, complemented by regular review and dynamic optimization mechanisms. During trade execution, the Company proactively adjusts position structures in response to market price volatility characteristics and trend evolution, enhancing price risk forecasting to balance risk mitigation and cost control. Concurrently, the Company continuously improves the refined margin management system and real-time risk alert system. Through stress testing and scenario analysis, it ensures margin adequacy ratios remain within safe thresholds, comprehensively guarding against position risks and funding pressures arising from sharp price movements, liquidity shifts or policy disruptions.
5. Responsible unit: Finance Department  
Co-responsible units: smelter, Yangxin Hongsheng, Rare and Precious Branch and various mining units

# Report of the Directors

## *B. Operational efficiency risk*

1. Risk research and judgment. In 2026, copper concentrate treatment charges (TC/RC) will enter a prolonged downward cycle, with preliminary estimates indicating a range concentrated between USD-40 and -60 per tonne, accompanied by risks of further decline. Global smelting capacity expansion has intensified competition for raw materials, rendering traditional pricing models unsustainable. Foreign buyers demand greater flexibility, leading to a sharp deterioration in commercial negotiation terms. Compounded by export restrictions from resource-rich nations, declining ore grades and the pass-through of ESG costs, domestic smelters are engaging in increasingly fierce competition for domestic ore supplies. The RMB exchange rate is projected to fluctuate within the 6.8-7.10 range in 2026, exhibiting a moderate appreciation trend. A 0.1 appreciation in the RMB exchange rate would generate a loss of approximately RMB1,100 per tonne. Furthermore, copper, gold and silver exhibit an inverted price spread structure between domestic and international markets, with copper's domestic-international price inversion estimated at RMB1,000 per tonne, gold's at RMB0-4.5 per gram, and silver's at RMB1,000 per kilogram. Considering price trends, the domestic-international price inversion for copper is expected to widen further. Daye Metal may partially hedge losses through copper, gold and silver exports. However, Yangxin Hongsheng lacks export qualifications, leaving the Company exposed to losses stemming from the domestic-international price inversion in imported ore. Should monthly pricing remain imbalanced, losses will continue to escalate.
2. Impact assessment. Newly contracted imports of ore are projected to reach 397,000 tonnes, with average TC/RC rates expected to remain within the range of -40/-4.0 to -60/-6.0, directly impacting smelting segment profits. Within the projected copper price range of RMB85,000-90,000 per tonne, the domestic ore pricing coefficient for 2026 is estimated at 97.7%, compared to 95.7% in 2025. This negative impact on smelting segment profits is expected to widen the loss ratio for imported ore at both plants in 2026.
3. Prevention and control objectives. To achieve the assigned performance goals.
4. Prevention and control measures. (1) The smelting units shall organize production based on the principle of maximizing market benefits. The smelter's fire system shall operate at 80% capacity during non-maintenance periods, while Yangxin Hongsheng shall maintain full capacity during such periods. (2) Mining units shall adhere to the principle of sustained stable production and output growth, maintaining production targets without compromise. The mined copper output will be increased by 200 tonnes relative to the 2025 actual production. The exploration and production exploration in the upper and lower parts of the existing mining rights area and in the exploration rights area, the merging and boundary expansion of the north and south ore belts of the Sareke Copper Mine, the transition exploration to production below -550m at Fengshan Copper Mine, and the expansion of the mining license scope for the deep sections of Tonglvshan Mine will start, and related project construction shall be properly managed. Concurrently, we will actively pursue mergers and acquisitions of high-quality, mature resource projects under construction or in production, increase exploration investment and concentrate efforts on securing incremental resources. (3) We shall timely grasp market trend shifts, accurately formulate marketing strategies and sales plans, promote sales expansion, and broaden market reach. (4) We shall promote refined management by focusing on optimizing production organization, innovating process flows and management models, and reducing cost-efficiency ratios, and deeply explore potential to cut costs, enhance efficiency and reduce expenditure, continuously advancing the implementation the objectives and tasks of "loss management and getting out of the red" to achieve further operational efficiency gains. (5) We shall strengthen market-driven profitability by enhancing internal capabilities and expanding external market reach to boost returns.

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5. Leading responsible unit: Production Technology Department, Finance Department, Corporate Development Department, Mineral Resources Development Division  
Co-responsible units: smelter, Yangxin Hongsheng, Rare and Precious Branch and various mining units

## C. International operational risk

1. Risk research and judgment. The external environment remains complex and challenging, with anti-globalization, populism and unilateralism on the rise. Great power rivalries continue to escalate, and uncertainties such as geopolitical risks, trade protectionism and financial market volatility bring uncertainty and challenges to the global economic situation. Imported copper concentrates or blister copper from the United States may face additional tariffs, directly affecting procurement costs and supply chain stability. With the arrival of the Federal Reserve's interest rate cut cycle, China's monetary policy remains prudent, the internationalization of the Renminbi continues, and the exchange rate is expected to enter a range-bound fluctuation phase, impacting import payment expenditures and foreign exchange gains and losses.
2. Impact assessment: Due to international financial conditions, fluctuations in the value of enterprises' foreign currency assets have significantly impacted import payment settlement operations and foreign currency financing costs, exposing them to exchange loss risks. Changes in import and export tax policies will increase the tax burden.
3. Prevention and control objectives: (1) Operate a normalized foreign exchange risk prevention and control mechanism, keep foreign exchange exposure positions within a reasonable range, handle foreign exchange derivatives in compliance with regulations, and strive to achieve positive foreign exchange gains. (2) Keep the impact of U.S. mineral export tariffs on operating performance within an acceptable range.
4. Prevention and control measures: (1) The Company shall formulate the 2026 Monetary Financial Derivatives Business Operational Plan 《2026 年度貨幣類金融衍生業務操作計劃》, adhering to the principle of risk neutrality. We shall maintain a balanced position between foreign exchange assets and payables, establishing hedging arrangements to reduce foreign exchange exposure. The Company regularly monitors foreign exchange trends and foreign currency interest rates, comparing these with Renminbi rates based on market conditions to select optimal foreign currency instruments, thereby minimizing exchange losses. (2) The Company endeavors to avoid procuring US-origin ores wherever possible, closely monitors adjustments to US export tariff policies on raw materials and changes to domestic customs import regulations. Restrictive clauses regarding shipments of US ore are incorporated into quotations to avoid tariff risks to the greatest extent feasible.
5. Responsible unit: Finance Department

## D. Macroeconomic risk

1. Risk research and judgment: The international macroeconomic landscape is characterized by a "three highs and one low" pattern of "high inflation, high interest rates, high debt and low growth". "Globalization" is receding, while "regionalization" and "friendshoring" are on the rise. China's development is at a stage where strategic opportunities coexist with risk challenges with unpredictable uncertainties increasing. The complexity of the external environment intertwines with pressures from internal structural adjustments, creating a triple burden of "contracting demand, supply shocks and weakening expectations". These factors pose greater challenges than opportunities to the stable operation of China's macroeconomy, with risks outweighing certainties. Particularly in the short term, the economy will endure the throes of structural adjustment, facing downward pressure on growth.

# Report of the Directors

2. Impact assessment: The impact of macro environment complexity on enterprises achieving their operational objectives includes policy risks, debt risks, liquidity risks and others. The sharp fluctuations in global copper prices driven by macro factors will further exacerbate capital occupancy in raw materials, goods in transit and inventory. In 2026, price volatility for bulk raw materials such as coal and quartz stone may exceed 15%, while prices for imported critical materials and services will continue to fluctuate at high level, amplifying pressure on procurement cost control. Affected by the economic downturn, some subsidiaries have experienced poor operational performance and high asset-liability ratios.
3. Prevention and control objectives: (1) Policy changes shall not result in significant losses for import and export operations. (2) A balanced production, supply and sales cycle shall be maintained to ensure liquidity security.
4. Prevention and control measures: (1) The Company maintains ongoing attention to the anti-“internal competition” trends in the copper smelting industry, internal initiatives within the CSPT group and domestic customs import policies. We sustain communication with industry peers, enhance market analysis of copper concentrate treatment charges, and formulate corresponding import ore procurement strategies. The Company focuses on key mining clients, deepens diversified cooperation with suppliers and customers, explores and optimizes pricing models with traders, and ensures supply chain smoothness and stability. (2) The Company has established bulk raw material price monitoring, early warning and emergency reserve mechanisms. It deepens strategic cooperation with core suppliers, intensifies centralized procurement efforts, and creates advantage of large-scale procurement. (3) The Company strengthens quota management through annual target guidance and monthly fund budget allocation, and implements early intervention for major abnormalities to enhance capital turnover efficiency.
5. Leading responsible unit: Finance Department, Supply Chain Management Center  
Co-responsible units: all production and operation units

## *E. Safety, environmental protection and quality risk*

1. *Safety production risk*
  - (1) Risk research and judgment. In 2025, the State conducted its safety production assessment and inspection for the first time in the name of the central government. The State-owned Assets Supervision and Administration Commission (SASAC) organized special actions including safety assistance and supervision, “Thunder Action for Safety Production” (安全生產雷霆行動) and “Special Action for Prominent Issues Rectification” (突出問題專項整治), further intensifying safety oversight and enforcement. The National Mine Safety Administration (國家礦山局) issued the “Safety Management Measures for Comprehensive Outsourcing of Metal and Non-Metal Mines (Trial)” (《金屬非金屬礦山整體託管安全管理辦法(試行)》), necessitating the gradual withdrawal of outsourcing contractors from the Company’s four mining units. This transition requires the Company to independently establish its own mining teams, presenting potential safety risks during the interim period. Additionally, numerous historical safety issues in the Company remain urgent resolution.
  - (2) Impact assessment. National or local enforcement inspections may result in penalties ranging from fines to production suspension for rectification if safety production violations or major accident hazards are identified. Production operations may also be suspended for rectification due to the presence of major accident hazards that have not been addressed in a timely manner, or where a production safety accident is deemed likely to occur.

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- (3) Prevention and control objectives. Zero general or higher-level production safety incidents, 100% major safety risk control rate, and 100% rectification rate for major accident hazards.
- (4) Prevention and control measures. Firstly, we shall strengthen the chain of responsibility by revising and refining the comprehensive safety production accountability system. This involves clarifying responsibilities for managing major safety risks and reinforcing assessment and accountability mechanisms. Secondly, we shall deepen the management of hazards root-cause by conducting regular inspections of locations, positions and processes posing significant risks. Taking the “one database and four mechanisms” (一庫四機制) as the starting point, we will regularly analyze the causes of hazards and formulate corrective measures, striving to eliminate hazards at their source. Thirdly, we will systematically advance hazard rectification by formulating special rectification plans for historical outstanding problems and major issues identified through comprehensive inspections and thorough reviews, and drive their implementation.
- (5) Leading responsible unit: Safety and Environmental Protection Supervision Department  
Co-responsible units: all units, Production Technology Department, Investment and Engineering Management Department and Internal Security Center

## 2. *Environmental protection risk*

- (1) Risk research and judgment. Against the backdrop of the nation’s new phase of high standards and stringent requirements, the risks confronting the Company’s current environmental protection efforts remain severe and complex, with certain uncertainties remaining. Deficiencies persist in solid waste management, with some units lacking designated general solid waste storage sites, leading to occasional instances of open-air storage. Historical issues concerning soil and groundwater contamination in certain units remain unresolved, posing compliance risks such as potential environmental penalties.
- (2) Impact assessment. Non-compliant solid waste management may result in corresponding environmental penalties. Improper handling of historical soil and groundwater contamination issues could lead to negative public sentiment and compliance risks.
- (3) Prevention and control objectives. Zero sudden environmental incidents, and zero environmental penalty cases.
- (4) Prevention and control measures. We shall accelerate the rectification of identified hazards in the special action targeting solid waste, deepen the special remediation of soil and groundwater, and focus on persistent challenges such as heavy metal pollution. Precise management measures will be implemented to reduce heavy metal pollution at source. We will advance the three-year action of Beautiful China Construction, concentrating on the coordinated management of air, water and solid waste alongside clean production. This will drive large-scale equipment upgrades and technological solutions for pollution and carbon reduction, thereby strengthening the foundations for green and low-carbon development.
- (5) Leading responsible unit: Safety and Environmental Protection Supervision Department  
Co-responsible units: all units, Production Technology Department, Investment and Engineering Management Department and Technology and Information Management Department

# Report of the Directors

## 3. *Quality risk*

- (1) Risk research and judgment. First, the execution of copper raw material sampling and preparation is inadequate. Suppliers may engage in malicious fraud. Key position personnel have insufficient skills, lack a sense of responsibility, and collude with suppliers. There is a lack of effective supervision and review mechanisms for critical positions such as sampling and preparation. This could lead to samples not accurately reflecting the quality of the entire batch, resulting in deviations in test data quality. Second, the Company's main products, including cathode copper, gold, silver and sulfuric acid, hold a significant market share and have brand influence. Product quality and customer satisfaction are the foundation for the company's sustainable development. Quality risks could result in a reduction of market share, economic losses, and a decline in the company's reputation.
- (2) Impact assessment. Should risks arise during the weighing and measurement of copper raw materials, enterprises may incur substantial losses from price differentials. Distorted data may lead to settlement disputes, abnormal metal losses, quality claims and other economic damages. Such inaccuracies could misguide production blending, process optimization and resource allocation, thereby weakening cost control and market responsiveness. Furthermore, quality issues in procured raw materials, coupled with inadequate quality control and inspection during production, may trigger customer complaints. In severe cases, this could cause quality incidents, resulting in financial losses or damage to the company's reputation.
- (3) Prevention and control objectives. ① We shall complete the upgrade and calibration of key sample preparation equipment within six months, achieving full video surveillance coverage of the sampling and sample preparation stages, and establish a comprehensive information monitoring platform covering the entire process from weighing to sample preparation and laboratory testing within one year, with automation substitution rates exceeding 70% for key stages. ② Grade A copper output qualification rate  $\geq 99\%$ ; gold ingot output qualification rate  $\geq 98.7\%$ ; silver ingot output qualification rate  $\geq 96.5\%$ ; smelter sulfuric acid premium grade output qualification rate  $\geq 96.5\%$ ; Yangxin Hongsheng sulfuric acid premium grade output qualification rate  $\geq 99\%$ . ③ Zero valid quality complaints.
- (4) Prevention and control measures: Firstly, we shall formulate an equipment renewal program to replace high-failure-rate and low-precision sample preparation and testing equipment. This will involve introducing automated samplers, intelligent sample-splitting systems and online composition analyzers to minimize manual intervention. We shall revise and enhance standard operating procedures (SOPs) for sampling, sample preparation and testing. The Company's quality and measurement information platform will be upgraded to incorporate mandatory system calibration nodes, utilizing big data analytics for intelligent assessment of metal balance anomalies and testing deviation trends. Secondly, we shall implement regular rotation and competency certification for key personnel, establish integrity records and behavioral early-warning mechanisms for inspection staff, enhance whistleblower reward schemes and strict disciplinary measures for violations, and conduct routine integrity awareness training. Thirdly, we shall continuously refine our quality management system and quality inspection oversight mechanisms, intensifying internal audits and rectification efforts. Fourthly, we shall enhance customer satisfaction management by rigorously enforcing products delivery inspection, strengthening market feedback collection, and conducting client visits and surveys. Fifthly, we shall persistently reinforce employee quality education through mass quality initiatives, improve the quality of QC team, promote the application of quality improvement tools and methodologies, and enhance staff quality awareness, technical proficiency and improvement capabilities.
- (5) Leading responsible unit: Quality and Measurement Center  
Co-responsible units: all production and operation units

# Report of the Directors

## Relationship with customers

Maintaining and upgrading its relationship with customers is crucial to increasing the profits of the Company. When entering into business relationship with customers, the Group has adopted various methods to collect and report their needs and expectations and taken proactive and corresponding measures for improvement. The results of such measures were reviewed and feedbacks were provided to the customers. Consideration priority for the cooperation with major customers is given to delivery needs, customized delivery methods and strengths of communications of both sides, etc. so as to promote deeper cooperation between both sides.

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

## Relationship with suppliers

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

On the other hand, we will maintain moderate “competition” with suppliers. As counterparties to transactions, we have had multiple negotiations regarding transaction time, grading, pricing method and arbitration due to the parties both being insistent on matters related to their principles. We have established a management mechanism system for suppliers to verify and reduce procurement cost and cooperation risks.

## Organisation and resources of the Group

To successfully implement the strategies approved by the Board, we must ensure that we have an organisational structure of efficient management and operation, adequate resources and necessary capabilities. Our organisational structure has been continuously optimised to streamline the management functions of the Company, so as to realise the model requirements of highly capable organisational structure, sophisticated business process, optimal resource allocation as well as efficient management and operation, and meet the needs of the Group’s strategic development in the near future. The tables below set out the details of the Group’s employee distribution as at the end of 2025:

| Age      |          |          |          |             |
|----------|----------|----------|----------|-------------|
| Below 18 | 18 to 29 | 30 to 39 | 40 to 49 | 50 or above |
| –        | 672      | 917      | 2,026    | 1,509       |

| Gender |        |
|--------|--------|
| Male   | Female |
| 4,475  | 649    |

| Employment Type |                     |
|-----------------|---------------------|
| Permanent       | Short-term contract |
| 100%            | –                   |

# Report of the Directors

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 2025:

| % of employees trained |        | Average training hours per employee |
|------------------------|--------|-------------------------------------|
| Male                   | Female | Number of hours                     |
| 100                    | 100    | 45                                  |

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 2025:

| Voluntary turnover rate (%) |          |          |          |             |
|-----------------------------|----------|----------|----------|-------------|
| Below 18                    | 18 to 29 | 30 to 39 | 40 to 49 | 50 or above |
| 0                           | 0.1      | 0.06     | 0        | 0           |

| Voluntary turnover rate (%) |        |         |
|-----------------------------|--------|---------|
| Male                        | Female | Overall |
| 0.08                        | 0.08   | 0.16    |

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.

# Report of the Directors

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the financial information of the Group for each of the five years ended 31 December 2025 is presented below.

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

|   | For the year ended 31 December |                 |                 |                 |                 |
|---|--------------------------------|-----------------|-----------------|-----------------|-----------------|
|   | 2025<br>RMB'000                | 2024<br>RMB'000 | 2023<br>RMB'000 | 2022<br>RMB'000 | 2021<br>RMB'000 |
| Revenue                                     | <b>66,050,939</b>              | 57,852,731      | 44,784,723      | 33,658,516      | 35,677,656      |
| Profit/(loss) for the year attributable to: |                                |                 |                 |                 |                 |
| Owners of the Company                       | <b>53,548</b>                  | 40,197          | (56,327)        | 110,910         | 286,436         |
| Non-controlling interests                   | <b>(48,178)</b>                | (30,601)        | 258,823         | (117,326)       | 50,140          |
| Profit/(loss) for the year                  | <b>5,370</b>                   | 9,596           | 202,496         | (6,416)         | 336,576         |

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

|  | As at 31 December |                 |                 |                 |                 |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|
|  | 2025<br>RMB'000   | 2024<br>RMB'000 | 2023<br>RMB'000 | 2022<br>RMB'000 | 2021<br>RMB'000 |
| <b>Assets</b>                                |                   |                 |                 |                 |                 |
| Current assets                               | <b>19,353,148</b> | 15,445,467      | 15,115,982      | 12,242,067      | 7,681,773       |
| Non-current assets                           | <b>9,850,109</b>  | 10,426,105      | 10,996,973      | 10,981,682      | 9,453,334       |
| Total assets                                 | <b>29,203,257</b> | 25,871,572      | 26,112,955      | 23,223,749      | 17,135,107      |
| <b>Liabilities</b>                           |                   |                 |                 |                 |                 |
| Current liabilities                          | <b>14,262,046</b> | 12,327,942      | 12,726,581      | 11,948,176      | 7,038,537       |
| Non-current liabilities                      | <b>10,250,444</b> | 8,857,116       | 8,709,456       | 7,001,965       | 5,939,196       |
| Total liabilities                            | <b>24,512,490</b> | 21,185,058      | 21,436,037      | 18,950,141      | 12,977,733      |
|  | <b>4,690,767</b>  | 4,686,514       | 4,676,918       | 4,273,608       | 4,157,374       |
| Equity attributable to owners of the Company | <b>3,137,159</b>  | 3,083,611       | 3,043,414       | 3,097,093       | 2,986,511       |
| Non-controlling interests                    | <b>1,553,608</b>  | 1,602,903       | 1,633,504       | 1,176,515       | 1,170,863       |
|  | <b>4,690,767</b>  | 4,686,514       | 4,676,918       | 4,273,608       | 4,157,374       |

# Report of the Directors

## PRINCIPAL ACTIVITIES

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

The Group's revenue and segment information for the year ended 31 December 2025 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 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 113 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2025 (2024: Nil). No interim dividend was declared during the year (2024: Nil).

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2025 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 2025 is set out in note 37 to the consolidated financial statements.

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2025.

## 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 2025 are set out in the consolidated statement of changes in equity.

## DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company had retained profits of RMB1,237,131,000 available for distribution to the Shareholders.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2025, 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 2025 and up to the date of this report were:

# Report of the Directors

## Executive Directors

Xiao Shuxin (*Chairman*)  
Zhang Jinzhong  
Zhang Aijun

## Independent Non-executive Directors

Liu Fang  
Wang Qihong  
Kong Hua (*appointed on 16 June 2025*)

The newly appointed director, Mr. Kong Hua, understood of his responsibilities and obtained relevant legal advice on the date of appointment.

Pursuant to bye-law 83(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). Following the Company's previous annual general meeting in 2025, Mr. Kong Hua was appointed as an independent non-executive director of the Company.

Pursuant to bye-law 84(2) of the Current Bye-laws, Mr. Xiao Shuxin, Mr. Zhang Jinzhong, and 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 2025, 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/<br>underlying shares | Approximate<br>percentage of<br>shareholding (%)<br>(Note 2) | Long position/<br>short position |
|------------------|--------------------|--|--|----------------------------------|
| Wang Qihong      | Beneficial Owner   | 594,000                                | 0.00   | Long position                    |
|                  | Interest of Spouse | 1,000,000<br>(Note 1)                  | 0.01   | 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 2025.

# Report of the Directors

Save as disclosed above, as at 31 December 2025, 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 2025, 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/<br>underlying shares | Approximate<br>percentage of<br>shareholding (%)<br>(Note 2) | Long position/<br>short position |
|---------------------|---|--|--|----------------------------------|
| Parent Company      | Beneficial owner                        | 11,962,999,080 shares<br>(Note 1)      | 66.85  | Long position                    |
| CNMC                | Interest in a controlled<br>corporation | 11,962,999,080 shares<br>(Note 1)      | 66.85  | Long position                    |

Notes:

1. These shares were held 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 2025.

Save as disclosed above, as at 31 December 2025, 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 2025.

## 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 2025.

# Report of the Directors

## 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 2025.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2025, 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   | 18.88% |
| – Five largest customers | 44.02% |

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

|                          |        |
|--------------------------|--------|
| – The largest supplier   | 17.72% |
| – Five largest suppliers | 47.49% |

At no time during the year ended 31 December 2025 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 2025, at no time was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

## CONNECTED TRANSACTIONS

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

# Report of the Directors

| 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.   |
| China Color International Alumina Development Co., Ltd.*<br>(中色國際氧化鋁開發有限公司) ("CCIA")                         | CCIA is a non-wholly owned subsidiary of China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd., which is owned by CNMC as to 33.34%. Accordingly, CCIA is an associate of CNMC and 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 State-owned Assets Management Co., Ltd.* (黃石市國有資產經營有限公司) ("Huangshi State-owned Assets Management") | Huangshi State-owned Assets Management indirectly holds 12% equity interests of Yangxin Hongsheng. It is a substantial shareholder of Yangxin Hongsheng, and thus a connected person of the Company at subsidiary level.                         |
| 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.  |
| Huangshi Xingang Water Utility Co., Ltd.* (黃石新港水務有限公司) ("Huangshi Xingang Water Utility")                    | a wholly-owned subsidiary of Huangshi Xingang Development which hold 16% equity interests of Yangxin Hongsheng Hongsheng, and thus a connected person of the Company at subsidiary level.  |
| 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 12% equity interests of Yangxin Hongsheng. It is a substantial shareholder of Yangxin Hongsheng, and thus a connected person of the Company at subsidiary level.  |
| Hubei Edong Mining Investment Group Co., Ltd.* (湖北鄂東產業投資集團有限公司), ("Hubei Edong Industrial Investment")       | holding 12% equity interests of Yangxin Hongsheng. It is a substantial shareholder of Yangxin Hongsheng, and thus a connected person of the Company at subsidiary level.   |

# Report of the Directors

## CONTINUING CONNECTED TRANSACTIONS

The following are the 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 RMB17,995,212,000.<br><br>The annual cap for the year of 2024 is RMB31,586,706,000.<br><br>The annual cap for the year of 2025 is RMB33,624,255,000.   |

The aggregate transaction amount incurred in accordance with the Parent Group Sales Framework Agreement for the year ended 31 December 2025 was RMB12,642,964,000.

# Report of the Directors

## 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 RMB7,203,325,000.<br><br>The annual cap for the year of 2024 is RMB7,905,839,000.<br><br>The annual cap for the year of 2025 is RMB3,110,003,000.  |

The aggregate transaction amount incurred in accordance with the Yangxin Hongsheng Sales Framework Agreement for the year ended 31 December 2025 was RMB3,108,645,000.

# Report of the Directors

## 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 RMB10,000,000.   |

The aggregate transaction amount incurred in accordance with the Parent Group Services Framework Agreement for the year ended 31 December 2025 was RMB3,138,000.

### *Revision of the Annual Cap*

In view of 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 provision of certain services by the Group to the Parent Group under the Parent Group Services Framework Agreement for the year ending 31 December 2025. The Board therefore proposes that the existing annual cap be increased from RMB4,145,000 to RMB10,000,000.

For further information please refer to the announcement dated 12 August 2025.

# Report of the Directors

## 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><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><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><br>The annual cap for the year of 2024 is RMB27,000,000.<br><br>The annual cap for the year of 2025 is RMB27,000,000.  |

The aggregate transaction amount incurred in accordance with the Huangshi Xingang Purchase and Production Services Framework Agreement for the year ended 31 December 2025 was RMB0.

# Report of the Directors

## 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 RMB39,750,000.<br><br>The annual cap for the year of 2025 is RMB39,450,000.   |

The aggregate transaction amount incurred in accordance with the Yangxin Hongsheng Services Framework Agreement for the year ended 31 December 2025 was RMB23,346,000.

# Report of the Directors

## 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<br><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.<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.  |

The aggregate transaction amount incurred in accordance with the Parent Group Purchase and Production Services Framework Agreement for the year ended 31 December 2025 was RMB307,608,000.

# Report of the Directors

## 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 RMB57,865,000.  |

The aggregate transaction amount incurred in accordance with the Hubei Gold Purchase Framework Agreement for the year ended 31 December 2025 was RMB48,939,000.

### *Revision of the Annual Cap*

In view of the more-than-expected significant rise in prices of copper, gold, and silver, the Board anticipates that the Existing Annual Cap will no longer be sufficient to meet the expected transaction amounts of the provision of certain products by Hubei Gold to the Group under the Hubei Gold Purchase Framework Agreement for the year ending 31 December 2025. The Board therefore proposes that the existing annual cap be increased from RMB47,865,000 to RMB57,865,000.

For further information please refer to the announcement dated 5 December 2025.

# Report of the Directors

## 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><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><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><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><br>The annual cap for the year of 2024 is RMB6,663,945,000.<br><br>The annual cap for the year of 2025 is RMB7,462,154,000.  |
|                         | The aggregate transaction amount incurred in accordance with the CNMC Group Purchase and Production Services Framework Agreement for the year ended 31 December 2025 was RMB903,494,000.  |

# Report of the Directors

## 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:      | <p>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.</p> <p>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.</p> |
| Annual Caps:            | <p>The annual cap for the year of 2023 is RMB11,287,354,000.</p> <p>The annual cap for the year of 2024 is RMB10,672,780,000.</p> <p>The annual cap for the year of 2025 is RMB10,927,565,000.</p>  |

The aggregate transaction amount incurred in accordance with the Yangxin Hongsheng Purchase Framework Agreement for the year ended 31 December 2025 was RMB10,445,378,000.

# Report of the Directors

## 10. Parent Group Combined Ancillary Services Framework Agreement

Date: 22 November 2022

Parties: (1) the Company  
(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.

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.

The annual cap for the year of 2024 is RMB430,072,000.

The annual cap for the year of 2025 is RMB400,607,000.

The aggregate transaction amount incurred in accordance with the Parent Group Combined Ancillary Services Framework Agreement for the year ended 31 December 2025 was RMB114,449,000.

# Report of the Directors

## 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:      | <p>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.</p> <p>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.</p> |
| Annual Caps:            | <p>The annual cap for the year of 2023 is RMB25,640,000.</p> <p>The annual cap for the year of 2024 is RMB26,848,000.</p> <p>The annual cap for the year of 2025 is RMB26,848,000.</p>   |

The aggregate transaction amount incurred in accordance with the Huangshi Xingang Development Combined Ancillary Services Framework Agreement for the year ended 31 December 2025 was RMB0.

# Report of the Directors

## 12. Land Lease Framework Agreement

Date: 22 November 2022

Parties: (1) the Company  
(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.

The annual cap for the year of 2024 is RMB13,772,000.

The annual cap for the year of 2025 is RMB13,772,000.

The aggregate transaction amount incurred in accordance with the Land Lease Framework Agreement for the year ended 31 December 2025 was RMB826,000.

# Report of the Directors

## 13. Asset Lease Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 22 November 2022  |
| Parties:                | (1) the Company<br>(2) the Parent Company   |
| Nature of transactions: | <p>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.</p> <p>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.</p> |
| Term:                   | 1 January 2023 to 31 December 2025.   |
| Pricing mechanism:      | The pricing will be based on the depreciation and related tax amount.   |
| Annual Caps:            | <p>The Group's lease of assets to the Parent Group</p> <p>The annual cap for the year of 2023 is RMB3,713,000.</p> <p>The annual cap for the year of 2024 is RMB3,713,000.</p> <p>The annual cap for the year of 2025 is RMB3,713,000.</p> <p>The Parent Group's lease of assets to the Group</p> <p>The annual cap for the year of 2023 is RMB3,780,000.</p> <p>The annual cap for the year of 2024 is RMB6,000,000.</p> <p>The annual cap for the year of 2025 is RMB7,500,000.</p>   |

The aggregate transaction amount incurred in accordance with the Asset Lease Framework Agreement for the year ended 31 December 2025 was RMB53,000 for the Group's lease of assets to the Parent Group and RMB3,439,000 for the Parent Group's lease of assets to the Group.

# Report of the Directors

## 14. CNMC Financial Services Framework Agreement

|                           |   |
|---------------------------|---|
| Date:                     | 22 November 2022  |
| Parties:                  | (1) the Company<br>(2) CNMC   |
| Nature of transactions:   | <p>The Group shall place deposits with the CNMC Group.</p> <p>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.</p>  |
| Term:                     | 1 January 2023 to 31 December 2025.   |
| Price of services:        | <p>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.</p> <p>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.</p> |
| 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.  |

# Report of the Directors

|              |  |
|--------------|--|
| 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.                           |

The aggregate transaction amount incurred in accordance with the CNMC Financial Services Framework Agreement for the year ended 31 December 2025 was RMB2,765,346,000 for the deposit services and RMB392,821,000 for financial services provided by CNMC Group.

## 15. Huangshi State-owned Assets Management Sales Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 26 February 2024  |
| Parties:                | (1) the Company<br>(2) Huangshi State-owned Assets Management   |
| Nature of transactions: | The Group will supply certain products to Huangshi State-owned Assets Management Group, including gold, silver, copper cathodes, copper concentrates, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare part materials, production equipment, tools, sulfuric acid, dump trucks, waste materials and such other products as agreed by the parties from time to time.   |
| Term:                   | 1 January 2024 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 2024 is RMB4,026,060,000.<br><br>The annual cap for the year of 2025 is RMB4,852,518,000   |

The aggregate transaction amount incurred in accordance with the Huangshi State-owned Assets Management Purchase Framework Agreement for the year ended 31 December 2025 was RMB1,768,961,000.

# Report of the Directors

## 16. Huangshi State-owned Assets Management Purchase Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 26 February 2024  |
| Parties:                | (1) the Company<br>(2) Huangshi State-owned Assets Management   |
| Nature of transactions: | Huangshi State-owned Assets Management Group will supply certain products to the Group, including import copper concentrate, domestic copper concentrate, anode plates, blister copper and such other products as agreed by the parties from time to time.  |
| Term:                   | 1 January 2024 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 2024 is RMB5,908,225,000.<br><br>The annual cap for the year of 2025 is RMB7,020,042,000   |

The aggregate transaction amount incurred in accordance with the Huangshi State-owned Assets Management Purchase Framework Agreement for the year ended 31 December 2025 was RMB3,933,728,000.

# Report of the Directors

## 17. CCIA Services Framework Agreement

|                        |  |
|------------------------|--|
| Date:                  | 30 May 2024  |
| Parties:               | (1) the Company<br>(2) CCIA  |
| Nature of transactions | The Group will supply certain services to CCIA, including commissioning guidance services, pre-job training services, operation and maintenance services and such other services as agreed by the parties from time to time.   |
| Term:                  | 29 May 2024 to 31 December 2025.   |
| Pricing mechanism:     | Based on 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 2024 is RMB56,000,000.<br><br>The annual cap for the year of 2025 is RMB96,000,000.   |

The aggregate transaction amount incurred in accordance with the CCIA Services Framework Agreement for the year ended 31 December 2025 was RMB58,611,000.

# Report of the Directors

## 18. CNMC Services Framework Agreement

|                        |  |
|------------------------|--|
| Date:                  | 3 March 2025   |
| Parties:               | (1) the Company<br>(2) CNMC  |
| Nature of transactions | The Group will provide certain services to CNMC Group, including engineering design, surveying and mapping services, environment monitoring services, equipment inspection and examination services, research and development, mining/mineral processing/metallurgy/construction/electrical automation design, maneuvering wire improvement, technical development services, blueprinting, technical consulting, mineral product testing services and such other services as agreed by the parties from time to time.  |
| Term:                  | 3 March 2025 to 31 December 2025.  |
| Pricing mechanism:     | Based on: (i) the government-prescribed prices; or (ii) if there is no applicable government-prescribed prices, the Market Price or a price determined by the internal documents of the Group developed with reference to the Market Price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. |
| Annual Caps:           | The annual cap for the year of 2025 is RMB34,500,000.  |

The aggregate transaction amount incurred in accordance with the CCIA Services Framework Agreement for the year ended 31 December 2025 was RMB9,222,000.

# Report of the Directors

## 19. CNMC Group Sales Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 22 November 2022  |
| Parties:                | (1) the Company<br>(2) CNMC   |
| Nature of transactions: | The Group will supply certain products to the CNMC 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 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 Cap              | The annual cap for the year of 2025 is RMB11,000,000  |

As each of the original annual caps under the continuing connected transactions for the years ending 31 December 2023 to 2025 were not more than HK\$3 million, and the highest applicable percentage ratio under Rule 14.07 of the Listing Rules was less than 5%, the original annual caps in respect of the continuing connected transactions under the CNMC Group Sales Framework Agreement constituted a de minimis transaction pursuant to Rule 14A.76(1) of the Listing Rules and was fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. On 28 July 2025, the Company has been informed that, as a result of a one-off order of cathode copper by CNMC Group on 28 July 2025, the transaction amount of which is approximately RMB8 million, the aggregate transaction amount under the CNMC Group Sales Framework Agreement is expected to exceed the original annual cap set for the year ending 31 December 2025. The Board therefore proposes that the existing annual cap be increased from RMB1,204,000 to RMB11,000,000.

As the highest applicable percentage ratio in respect of the revised annual cap is expected to be more than 0.1% but less than 5%, the CNMC Group Sales Framework Agreement is subject to the reporting, announcement and annual review requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For further information please refer to the announcement dated 28 July 2025.

The aggregate transaction amount incurred in accordance with the CNMC Group Sales Framework Agreement for the year ended 31 December 2025 was RMB7,079,000.

# Report of the Directors

Save as disclosed above, there are no other related party transactions or continuing related party transactions as set out in Note 42 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 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued the unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rule. Nothing has come to the attention of the Group in relation to entering into written agreements or set any annual cap for these continuing connected transactions in accordance with the relevant requirements under the Main Board Listing Rules.

# Report of the Directors

## 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.

### Price determination

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 enterprise development 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 monthly 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 enterprise development 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.

### Scope of connected persons

The enterprise development department of the Company has, on a quarterly basis, counterchecked with each party in the transaction parties list to ascertain whether they are connected persons of the Company, so as to maintain the connected person list for the staff members to identify transactions constituting connected transactions of the Company. Any alteration to the connected person list could only be made after checking with the counterparty to ascertain the relationship with the Company, in the case of addition to the connected person list, evidence such as organisation chart will have to be obtained, and in the case of removal from the connected person list, evidence will have to be obtained to confirm the date of the relevant party ceasing to be a connected person of the Company. Whenever there is an update to the connected person list, it must be reported and approved by the management of the Group to ensure the management is aware of such update.

### Monthly monitor of the aggregation of transactions

The finance department of the Group will maintain a database to record and monitor the aggregate transaction amounts under the continuing connected transactions from time to time and prepare a monthly report on the status of the aggregate transaction amounts which will be submitted to the financial person in charge of the Group for review. Before conducting any transactions with connected persons, the enterprise development department will confirm that the Group still has sufficient unused transaction amount for the annual caps for carrying out the relevant continuing connected transactions. The finance department would on a regular basis review the continuing connected transactions carried out during the period under review to assess the monthly transactions amount, the aggregate amount of transactions conducted during the relevant financial year and whether the relevant annual caps have been exceeded. In addition, the Company will also ensure that the aggregation principle under Rule 14A.81 of the Listing Rules will be strictly adhered by all levels of the Group to in the connected transactions management through mandatory internal trainings with its subsidiaries and business units, details of which are set out in the below section headed "Internal trainings".

# Report of the Directors

## Policy review and assessment

The Company's internal control unit will on a half-year basis review the monitoring policies and procedures of the continuing connected transactions to ensure the abovementioned policies and procedures are adequate and effective. Findings of the review will be reported by the head of internal control unit to the financial person in charge of the Company. The internal control unit regularly reviews and monitors whether the continuing connected transactions are conducted on normal commercial terms and in compliance with the policies and procedures.

## Non-compliance control

In the event of any non-compliance issue or inadequacy in the policies and procedures, the internal control unit will immediately report such matters to the executive directors of the Company and will take remedial actions.

In addition, as a compulsory disciplinary mechanism to prevent non-compliance and enhance the compliance awareness of each business unit, the Corporate Development Department, as the Group's performance appraisal office, has the discretion to include "compliance with the Listing Rules" as a performance indicator in the appraisal of relevant business units. If a business unit fails to notify the management of the Group regarding a non-compliance of the Listing Rules as regards connected transactions, points will be deducted from the relevant performance appraisal score, which then in turn affects wages as well as performance bonuses.

## Internal trainings

In order to strengthen the process management, improve the connected transaction business level and compliance awareness of business staff of the Group as well as internal audit of connected transactions and the daily management of connected transactions, the Corporate Development Department of the Company will conduct, on a yearly basis, a connected transaction management training in accordance with "The China Daye Nonferrous Metals Mining Co., Ltd. Connected Transaction Management Measures". The training is expected to include the provision of reading materials, detailed case studies of past non-compliance incidents, explanations, Q&A session, and answering questions from time to time after the training. The training target audience shall include (i) relevant personnel from the Company's Finance Department and business personnel of individual subsidiaries; and (ii) relevant personnel from the Company's Legal and Compliance department, financial directors, financial personnel, and legal personnel of each business unit.

# Report of the Directors

## 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 30 January 2026:

### 1. Yangxin Hongsheng Sales Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 6 November 2025   |
| Parties:                | (1) the Company<br>(2) Yangxin Hongsheng  |
| Nature of transactions: | The Group will supply certain products to Yangxin Hongsheng, including gold bars, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools, sulfuric acid, dump truck, waste materials and such other products as agreed by the parties from time to time. |
| Term:                   | 1 January 2026 to 31 December 2028.   |
| 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.   |
| Annual Caps:            | The annual cap for the year of 2026 is RMB4,291,120,000.<br>The annual cap for the year of 2027 is RMB4,591,95,000.<br>The annual cap for the year of 2028 is RMB4,900,723,000.   |

# Report of the Directors

## 2. Huangshi Xingang Production Services Framework Agreement

|                         |  |
|-------------------------|--|
| Date:                   | 6 November 2025  |
| Parties:                | (1) the Company<br>(2) Huangshi Xingang  |
| Nature of transactions: | Huangshi Xingang will 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 2026 to 31 December 2028.  |
| 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 2026 is RMB16,324,000.<br>The annual cap for the year of 2027 is RMB16,324,000.<br>The annual cap for the year of 2028 is RMB16,324,000.  |

# Report of the Directors

## 3. Yangxin Hongsheng Services Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 6 November 2025   |
| 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, arsenic sulfide slag and neutralized slag, technical service fee and such other services as agreed by the parties from time to time.   |
| Term:                   | 1 January 2026 to 31 December 2028.   |
| 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 2026 is RMB11,152,000.<br><br>The annual cap for the year of 2027 is RMB11,677,000.<br><br>The annual cap for the year of 2028 is RMB11,532,000.   |

# Report of the Directors

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

|                         |   |
|-------------------------|---|
| Date:                   | 6 November 2025   |
| 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 and such other products as agreed by the parties from time to time; and<br><br>(2) provide certain production services to the Group, including repair and maintenance 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 2026 to 31 December 2028.   |
| 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 2026 is RMB2,383,867,000.<br><br>The annual cap for the year of 2027 is RMB2,830,761,000.<br><br>The annual cap for the year of 2028 is RMB3,326,123,000.  |

# Report of the Directors

## 5. Hubei Gold Purchase Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 6 November 2025   |
| 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 2026 to 31 December 2028.   |
| Pricing mechanism:      | <p>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.</p> <p>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.</p> |
| Annual Caps:            | <p>The annual cap for the year of 2026 is RMB60,000,000.</p> <p>The annual cap for the year of 2027 is RMB60,000,000.</p> <p>The annual cap for the year of 2028 is RMB60,000,000.</p>  |

# Report of the Directors

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

|                         |  |
|-------------------------|--|
| Date:                   | 6 November 2025  |
| Parties:                | (1) the Company<br>(2) CNMC  |
| Nature of transactions: | <p>The CNMC Group (excluding the Parent Group and the Group) will:</p> <ol style="list-style-type: none"><li>(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</li><li>(2) provide certain production services to the Group, including maintenance engineering, supervision, construction, mine exploration, engineering design, surveying and mapping, environment monitoring, equipment, electrical and oil products inspection and examination, research and development, mining/mineral dressing/metallurgical chemical/architectural/electrical automation design, maneuvering wire improvement, technical development projects, blueprint, technical consultation, mineral product testing, arsenic sulfide slag and neutralized slag, technical service fee, and such other production services as agreed by the parties from time to time.</li></ol> |
| Term:                   | 1 January 2026 to 31 December 2028.  |
| Pricing mechanism:      | <p>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.</p> <p>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.</p>   |
| Annual Caps:            | <p>The annual cap for the year of 2026 is RMB10,766,522,000.</p> <p>The annual cap for the year of 2027 is RMB12,176,152,000.</p> <p>The annual cap for the year of 2028 is RMB14,091,446,000.</p>   |

# Report of the Directors

## 7. Hubei Edong Industrial Investment Purchase Framework Agreement

|                         |  |
|-------------------------|--|
| Date:                   | 6 November 2025  |
| Parties:                | (1) the Company<br>(2) Hubei Edong Industrial Investment   |
| Nature of transactions: | Hubei Edong Industrial Investment will supply certain products to the Group, including copper concentrate, anode plates, blister copper and such other products as agreed by the parties from time to time.  |
| Term:                   | 1 January 2026 to 31 December 2028.  |
| Pricing mechanism:      | <p>The market price is comprehensively assessed by referencing prices published on exchanges or industry-related websites, or quotations from any independent third parties. Meanwhile, the product/service price is determined through negotiations with Hubei Edong Industrial Investment or its subsidiaries.</p> <p>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.</p> |
| Annual Caps:            | <p>The annual cap for the year of 2026 is RMB6,985,385,000.</p> <p>The annual cap for the year of 2027 is RMB7,591,319,000.</p> <p>The annual cap for the year of 2028 is RMB8,531,977,000.</p>  |

# Report of the Directors

## 8. Parent Group Combined Ancillary Services Framework Agreement

|                         |  |
|-------------------------|--|
| Date:                   | 6 November 2025  |
| 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 2026 to 31 December 2028.  |
| Pricing mechanism:      | <p>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.</p> <p>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.</p> |
| Annual Caps:            | <p>The annual cap for the year of 2026 is RMB12,191,000.</p> <p>The annual cap for the year of 2027 is RMB12,192,000.</p> <p>The annual cap for the year of 2028 is RMB12,187,000.</p>   |

# Report of the Directors

## 9. Huangshi Xingang Water Utility Combined Ancillary Services Framework Agreement

|                         |  |
|-------------------------|--|
| Date:                   | 6 November 2025  |
| Parties:                | (1) Yangxin Hongsheng<br>(2) Huangshi Xingang Water Utility  |
| Nature of transactions: | Huangshi Xingang Water Utility and Huangshi Xingang Water Utility Members will provide certain services to Yangxin Hongsheng, including water, materials and such other services as agreed by the parties from time to time.   |
| Term:                   | 1 January 2026 to 31 December 2028.  |
| Pricing mechanism:      | <p>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.</p> <p>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.</p> |
| Annual Caps:            | <p>The annual cap for the year of 2026 is RMB10,491,000.</p> <p>The annual cap for the year of 2027 is RMB11,800,000.</p> <p>The annual cap for the year of 2028 is RMB11,311,000.</p>   |

# Report of the Directors

## 10. Parent Group Asset Lease Framework Agreement (Lease-Out)

|                         |   |
|-------------------------|---|
| Date:                   | 6 November 2025   |
| Parties:                | (1) the Company<br>(2) the Parent Company   |
| Nature of transactions: | 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.)) from the Group, and the Group also guarantee that the Parent Group will have the exclusive right to use such assets during the term of the Parent Group Asset Lease Framework Agreement. |
| Term:                   | 1 January 2026 to 31 December 2028.   |
| Pricing mechanism:      | The pricing will be based on the depreciation and related tax amount  |
| Annual Caps:            | The annual cap for the year of 2026 is RMB11,778,000.<br>The annual cap for the year of 2027 is RMB11,778,000.<br>The annual cap for the year of 2028 is RMB11,778,000.   |

# Report of the Directors

## 11. CNMC Financial Services Framework Agreement

|                           |   |
|---------------------------|---|
| Date:                     | 6 November 2025   |
| Parties:                  | (1) the Company<br>(2) CNMC   |
| Nature of transactions:   | <p>The Group shall place deposits with the CNMC Group.</p> <p>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.</p>  |
| Term:                     | 1 January 2026 to 31 December 2028.   |
| Price of services:        | <p>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.</p> <p>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.</p> |
| 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.   |

# Report of the Directors

## 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.

In respect of the deposits placed by the Company, its subsidiaries (having the meaning ascribed to it under the Listing Rules) and associates (having the same meaning ascribed to it under the Listing Rules) through the deposit services under the existing CNMC Financial Services Framework Agreement, use its best endeavors and take all reasonable steps to guarantee that the CNMC Financial Company will use such deposits primarily for the purpose of 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 for and among the Company, its subsidiaries and associates; and bear all the losses incurred by the Company, its subsidiaries and associates due to the failure of performing the obligations under the existing CNMC Financial Services Framework Agreement by the CNMC Financial Company, including but not limited to, the deposit amount, interest and the relevant expenses incurred, within ten business days after such failure occurs.

## Annual Caps:

### Deposit services

The annual cap for the year of 2026 is RMB3,012,085,000.

The annual cap for the year of 2027 is RMB3,012,085,000.

The annual cap for the year of 2028 is RMB3,012,085,000.

### Bills acceptance and settlement and foreign exchange settlement and sales services

The annual cap for the year of 2026 is RMB10,280,000,000.

The annual cap for the year of 2027 is RMB10,280,000,000.

The annual cap for the year of 2028 is RMB10,280,000,000.

# Report of the Directors

## 12. CNMC Group Sales Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 6 November 2025   |
| Parties:                | (1) the Company<br>(2) CNMC   |
| Nature of transactions: | The Group will supply certain products to CNMC (including the Parent Group and excluding the Group), including gold bars, silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, raw materials, auxiliary equipment, supporting materials, spare parts, 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 2026 to 31 December 2028.   |
| 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 2026 is RMB25,650,576,000.<br><br>The annual cap for the year of 2027 is RMB26,013,084,000.<br><br>The annual cap for the year of 2028 is RMB26,375,591,000.   |

# Report of the Directors

## 13. Hubei Edong Industrial Investment Sales Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 6 November 2025   |
| Parties:                | (1) the Company<br>(2) Hubei Edong Industrial Investment  |
| Nature of transactions: | The Group will supply certain products to Hubei Edong Industrial Investment, including gold bars, silver, copper cathodes, copper concentrate, raw materials, auxiliary equipment, supporting materials, spare parts, 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 2026 to 31 December 2028.   |
| 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 2026 is RMB3,900,000,000.<br><br>The annual cap for the year of 2027 is RMB3,950,000,000.<br><br>The annual cap for the year of 2028 is RMB4,000,000,000.  |

# Report of the Directors

## 14. CNMC Group Services Framework Agreement

|                         |   |
|-------------------------|---|
| Date:                   | 6 November 2025   |
| Parties:                | (1) the Company<br>(2) CNMC   |
| Nature of transactions: | The Group will supply certain services to CNMC Group (including the Parent Group and excluding the Group), including engineering design and survey, environmental monitoring, equipment inspection and examination, research and development, construction/beneficiation design, maneuvering wire improvement, technical development projects, blueprint, technical consultation, commissioning guidance, pre-job training, operation and maintenance services, and such other services as agreed by the parties from time to time.   |
| Term:                   | 1 January 2026 to 31 December 2028.   |
| 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 2026 is RMB96,259,000.<br><br>The annual cap for the year of 2027 is RMB66,838,000.<br><br>The annual cap for the year of 2028 is RMB6,077,000.  |

# Report of the Directors

## 15. Yangxin Hongsheng Purchase and Production Services Framework Agreement

|                         |  |
|-------------------------|--|
| Date:                   | 6 November 2025  |
| Parties:                | (1) the Company<br>(2) Yangxin Hongsheng   |
| Nature of transactions: | (1) Yangxin Hongsheng will supply certain products to the Group, including copper concentrate, anode scrap, anode plates, anode mud and such other products as agreed by the parties from time to time.<br><br>(2) Yangxin Hongsheng will provide certain production services to the Group, including technical development project, technical consultation, technical service fee and such other production services as agreed by the parties from time to time.  |
| Term:                   | 1 January 2026 to 31 December 2028.  |
| 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 2026 is RMB11,807,137,000.<br><br>The annual cap for the year of 2027 is RMB12,408,710,000.<br><br>The annual cap for the year of 2028 is RMB12,986,731,000.  |

# Report of the Directors

## POSSIBLE DISPOSAL

The Company has been informed that, to implement the State's key arrangements for accelerating the optimization and structural adjustment of the State-owned economy and the specific requirements of the State-owned Assets Supervision and Administration Commission of the State Council on the specialized integration of central enterprises, and to further optimize the internal resource allocation, the Parent Company, entered into a letter of intent on 11 August 2025 with China No. 15 Metallurgical Construction Group Co., Ltd.\* (中國十五冶金建設集團有限公司, hereinafter referred to as "CNMC No. 15 Metallurgical", being a wholly-owned subsidiary of China Nonferrous Metal Mining (Group) Co., Ltd\* (中國有色礦業集團有限公司) (hereinafter referred to as "CNMC", being a controlling shareholder of the Parent Company and the Company)), pursuant to which, CNMC No. 15 Metallurgical shall acquire 100% equity interest in Daye Nonferrous Design and Research Institute Co., Ltd.\* (大冶有色設計研究院有限公司), a non-wholly-owned subsidiary of the Company (the "Possible Disposal"). As of July 31, 2025, the total value of the asset subject to the Possible Disposal amounted to approximately RMB130 million. The consideration is expected to be determined in a definitive and legally-binding formal agreement(s) between the Company and CNMC No. 15 Metallurgical after arm's length negotiations.

The Board wishes to emphasize that the Possible Disposal is subject to the entering into of definitive agreement(s), the terms of which are subject to further negotiation amongst the parties. As of the date of this report, no definitive agreement has been entered into.

For further information please refer to the announcement dated 13 August 2025.

## 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 2025, the Group had 5,124 employees (2024: 5,283). The Group's total staff costs for the year was approximately RMB996,487,000 (2024: RMB985,908,000). 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 2025 and as of the date of this report.

# Report of the Directors

## EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the reporting period.

## AUDITOR

SHINEWING (HK) CPA Limited (“SHINEWING (HK)”) resigned as the auditor of the Company with effect from 13 December 2023, considering the fact that the Company and SHINEWING (HK) could not reach a consensus on the audit fee. Baker Tilly Hong Kong Limited (“Baker Tilly”) has been appointed as the auditor of the Company to fill the casual vacancy following the resignation of SHINEWING (HK) with effect from 13 December 2023 and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements of the Group for the year ended 31 December 2025 have been audited by Baker Tilly, 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 Baker Tilly 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 2026

# 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 C1 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 2025 under different aspects.

## CG CODE COMPLIANCE

For the year ended 31 December 2025, 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 2025, only two regular board meetings were held to review and discuss the annual results and interim results. The financial and operational data for the first quarter and 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 2025.

## CORPORATE CULTURE AND STRATEGY

The Company has carried out planning and design of the corporate culture visual identity system, and standardized the scope of application of the visual identity system. We celebrated the 70th anniversary of the founding by launching the theme activity of "Seventy Years of Struggle and Unity for the Future" ("奮進七十年，團結向未來"), setting up columns such as "My Colorful Years" ("我的有色年華"), "Colorful Memory" ("有色記憶"), "Historical Influence" ("歷史影響") and "Continuing to Struggle, I'm the First" ("接續奮鬥我先行"), launching publicity and reporting on Hubei Daily 《湖北日報》 and China Nonferrous Metals Newspaper 《中國有色金屬報》, producing two large-scale feature films, releasing the 70th anniversary photo exhibition, compiling the Journal of Daye Nonferrous Metals Group Holding Co., LTD (Volume 5) 《大冶有色金屬集團控股有限公司志(第五卷)》, and organizing and conducting the corporate culture knowledge training and knowledge quiz competition, so as to further strengthen the cultural self-confidence and enhance the confidence in development.

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.

# Corporate Governance Report

## BOARD OF DIRECTORS

### Composition of the Board

As at the date of this report, the Board comprises three 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 |
|--|--|--------------------------------------|
| <b>Executive Directors</b>                 |  |                                      |
| Xiao Shuxin ( <i>Chairman</i> )            | 15 July 2021                           | 27 June 2024                         |
| Zhang Jinzhong                             | 31 August 2023                         | 27 June 2024                         |
| Zhang Aijun                                | 28 May 2024                            | 23 May 2025                          |
| <b>Independent Non-Executive Directors</b> |  |                                      |
| Liu Fang                                   | 31 March 2023                          | 23 May 2025                          |
| Wang Qihong                                | 13 January 2006                        | 27 June 2024                         |
| Kong Hua                                   | 16 June 2025                           | N/A                                  |

### 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.

# Corporate Governance Report

## 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 2025, 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:

| Name of Director                                | No. of meetings attended/<br>Eligible to attend |                 |
|---|---|-----------------|
|   | Board meeting                                   | General meeting |
| <b>Executive Directors</b>                      |   |                 |
| Xiao Shuxin                                     | 3/3   | 1/1             |
| Zhang Jinzhong                                  | 2/3   | 0/1             |
| Zhang Aijun                                     | 3/3   | 0/1             |
| Chen Xuewen ( <i>resigned on 26 June 2025</i> ) | 1/2   | 1/1             |
| <b>Independent Non-executive Directors</b>      |   |                 |
| Liu Fang  | 3/3   | 1/1             |
| Wang Qihong                                     | 3/3   | 1/1             |
| Liu Jishun ( <i>resigned on 16 June 2025</i> )  | 2/2   | 1/1             |
| Kong Hua ( <i>appointed on 16 June 2025</i> )   | 1/1   | 0/0             |

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.

# Corporate Governance Report

## 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.

## Induction and Continuing professional development

The newly appointed director, Mr. Kong Hua, has received induction training and obtained relevant legal advice on the date of appointment.

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 2025, 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 2025 is as follows:

| Name of Director                           | Mode of Continuous Professional Development Training |
|--|--|
|  | Reading materials and/or attending seminars          |
| <b>Executive Directors</b>                 |  |
| Xiao Shuxin                                | A/C  |
| Zhang Jinzhong                             | A/C  |
| Zhang Aijun                                | A/C  |
| <b>Independent Non-Executive Directors</b> |  |
| Liu Fang                                   | C  |
| Wang Qihong                                | C  |
| Kong Hua                                   | B/C  |

A: Seminars or trainings on the business and the industry

B: Trainings on regulations and directors' duties

C: Reading materials on regulations and updates

# Corporate Governance Report

## Permitted Indemnity Provisions

During the financial year ended 31 December 2025 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 2025, the roles of the Chairman, Mr. Xiao Shuxin, and those of the Chief Executive Officer, Mr. Zhang Jinzhong, 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. Zhang Jinzhong 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. Zhang 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 2025, 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, Ms. Liu Fang and Mr. Kong Hua, to be independent pursuant to Rule 3.13 of the Listing Rules.

# Corporate Governance Report

## BOARD PERFORMANCE EVALUATION

The Board has implemented an open, transparent performance-based culture. In accordance with the precepts of this culture and in line with best practice, an internal Board evaluation conducted each year. The Board will decide, based on the development of the Company, whether to promote an evaluation conducted by an independent professional organization or a team of external experts and scholars every three years. These evaluations are overseen by the Nomination Committee and the results are presented to the full Board.

The Board will conduct an internal evaluation this year. The internal Board evaluation process consisted of internal self-assessment by the Board, self-assessment by Board members, and peer evaluation, culminating in a performance evaluation questionnaire completed by Board members. Progress against actions arising from evaluations are tracked and reported to the Board and the Nomination Committee.

The scope of Board evaluation covered the Board as a whole, its four governance committees (the Audit Committee, the Nomination Committee, and the Remuneration Committee), and each Director individually. Amongst a number of areas, the following aspects of the Board's operating framework were examined in the process of the Evaluation:

- I. Level of participation in company operations
- II. Enhancing the quality of board decisions
- III. Composition and structure of the board
- IV. Selection and continuing education of directors
- V. Internal control

The findings and recommendations from the Evaluation will present to the Board.

## 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 2025, 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.

# Corporate Governance Report

## BOARD COMMITTEES

To assist the Board in the execution of its duties, the Board has delegated specific functions to three Board committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, details of which are as follows during the year ended 31 December 2025:

| Name of Director                           | Audit Committee | Remuneration Committee | Nomination Committee |
|--|-----------------|------------------------|----------------------|
| <b>Executive Directors</b>                 |                 |                        |                      |
| Xiao Shuxin ( <i>Chairman</i> )            | –               | –                      | Chairman             |
| Zhang Jinzhong                             | –               | –                      | –                    |
| Zhang Aijun                                | –               | –                      | –                    |
| <b>Independent Non-Executive Directors</b> |                 |                        |                      |
| Liu Fang                                   | Chairman        | Chairman               | Member               |
| Wang Qihong                                | Member          | Member                 | Member               |
| Kong Hua                                   | 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.

# Corporate Governance Report

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

| Remuneration        | Purpose   | Reward               | Policy details  |
|---------------------|---|----------------------|---|
| Basic salary        | To reflect the market value of each individual  | Cash payment monthly | Reviewed annually with market trend   |
| Allowance           | To attract and retain employees   | Reimbursement        | Market conditions   |
| Discretionary bonus | To motivate employees to deliver high levels of performance of the Company and individual performance goals | Cash payment         | <ul style="list-style-type: none"> <li>- Individual performance</li> <li>- Company performance</li> </ul> |

The remuneration committee has reviewed the breakdown of the Directors' remuneration for the year ended 31 December 2025 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<br>Year ended December 31, |      |
|---------------------|--|------|
|                     | 2025   | 2024 |
| 1-500,000           | 0  | 0    |
| 500,001-1,000,000   | 2  | 1    |
| 1,000,001-1,500,000 | 0  | 0    |

The senior management of the Company (who is not the Director) was retired on March 2024.

During the year ended 31 December 2025, the Remuneration Committee held 2 meetings. 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 |
|--|------------------------------------|--------------------------------|---------------------------------------|
| Liu Fang                                       | Independent non-executive Director | Chairman                       | 2/2                                   |
| Wang Qihong                                    | Independent non-executive Director | Member                         | 2/2                                   |
| Liu Jishun ( <i>resigned on 16 June 2025</i> ) | Independent non-executive Director | Member                         | 2/2                                   |
| Kong Hua ( <i>appointed on 16 June 2025</i> )  | Independent non-executive Director | Member                         | 0/0                                   |

# Corporate Governance Report

## 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.

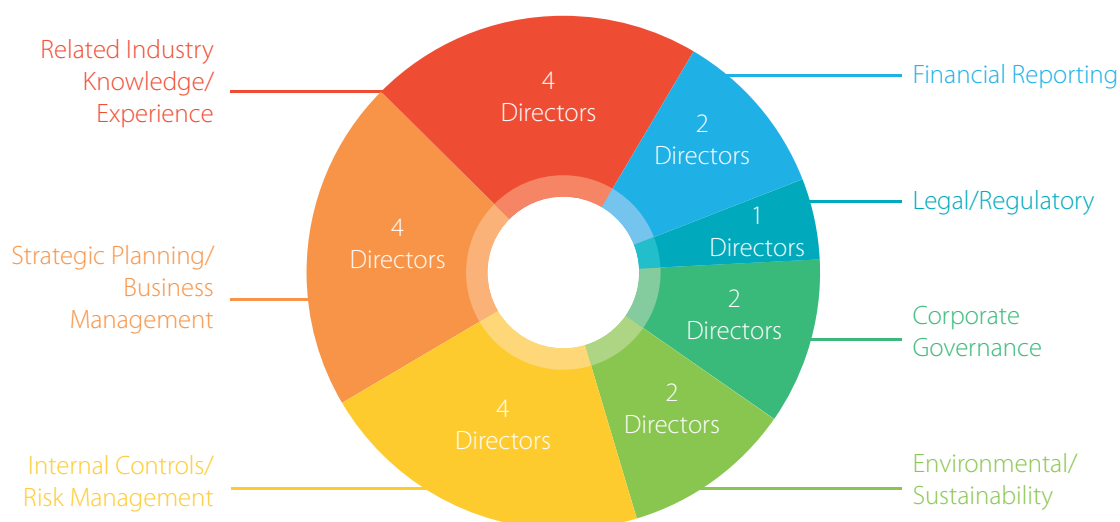
During the year ended 31 December 2025, the Nomination Committee held 2 meetings. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, recommended list of directors to be re-elected at the annual general meeting, reviewed the independence of independent non-executive Directors, reviewed the goals set for the implementation of the board's diversity policy and recommended appointment of independent non-executive Director to the Board.

# Corporate Governance Report

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 |
|--|------------------------------------|------------------------------|---------------------------------------|
| Xiao Shuxin                                    | Executive Director                 | Chairman                     | 2/2                                   |
| Liu Fang                                       | Independent non-executive Director | Member                       | 2/2                                   |
| Wang Qihong                                    | Independent non-executive Director | Member                       | 2/2                                   |
| Liu Jishun ( <i>resigned on 16 June 2025</i> ) | Independent non-executive Director | Member                       | 2/2                                   |
| Kong Hua ( <i>appointed on 16 June 2025</i> )  | Independent non-executive Director | Member                       | 0/0                                   |

## The Board Skills Matrix



## 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.

# Corporate Governance Report

In March 2024, 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 6 Directors, 4 are male and 2 are female;
- (2) Ethnicity: Among the existing 6 Directors, all are Han nationality;
- (3) Education background: Among the existing 6 Directors, 1 has doctor's degrees; 1 has master's degrees; and 4 have bachelor's degrees;
- (4) Professional Experience: Among the existing 6 Directors, 1 has professional experience in the management of mining industry, 1 has professional experience in geology and ore-formation, 2 have professional experience in economics and corporate management, 1 has experience in corporate management in the non-ferrous metallurgy industry, 1 has professional experience in finance and accounting, 1 has experience in the accounting industry in mining and metallurgical finance-related fields;
- (5) Age: Among the existing 6 Directors, 1 are aged over 60, 2 are aged between 51 to 60, 2 are aged between 41 to 50, and 1 is aged under 40;
- (6) Positions: Among the existing 6 Directors, 3 are executive Directors and 3 are independent non-executive Directors; and
- (7) Length of Service: Among the existing 6 Directors, 5 have service less than 5 years, 0 has service between 5 and 10 years, 1 has service more than 10 years.

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

## GENDER DIVERSITY IN WORKFORCE

The Company has always recognised gender diversity as one important aspect of diversity, and the Board had previously comprised of female directors (Ms. Liu Fang since 31 March 2023, and Ms. Zhang Aijun since 28 May 2024). The percentage of female directors in our Company is 33%. The directorship candidate nomination and selection process (coupled with criteria) of the nomination committee is without gender bias, being based principally on merits and assessment of candidates against the said measurable objectives (comprising gender as only one of the factors) with due regard for the benefits of the appropriate diversity of perspectives within the Board and also the candidates' potential contributions thereto. It follows that the nomination committee's selection and (if thought fit) nomination of female directorship candidates would mainly depend on the then available pool of female directorship candidates possessing the requisite professional, cultural and educational background as well as professional skills, experience and knowledge that are commensurate with the needs of the Company, etc. when being assessed on merits as well as against the said measurable objectives.

# Corporate Governance Report

The Materials industry under the Hang Seng Industry Classification System (to which the Company belongs) remains a field of comparatively, traditional male-dominated management upon the basis of the data and statistics published by the Stock Exchange on its website (its repository headed “Board Diversity & Inclusion in Focus”). In essence, as of January 2026, the Materials industry had the third lowest female representation at board level (18.9%) amongst all the 13 industries, when compared with the proportion of female directorship in (among others) the Energy industry (18.4%) and the Telecommunications industry (18.2%). Therefore, whilst the Company sees gender diversity at the Board level as an essential element in attaining its strategic objectives and achieving sustainable and balanced developments for the Group, achieving gender diversity remains challenging.

The Company is committed to upholding, protecting and embracing employees with different backgrounds, culture, gender and other life experiences. The Company maintains a highly diverse workforce. The Company recognises the importance of gender diversity at the workforce level, in addition to the Board level. As at the end of the year, referring to the female representation in the Group’s total workforce (full-time employees only, exclusive of part-time/temporary employees), 12.92% of our staff body was female and 87.08% male.

The Company will continue to strive to enhance female representation in the workforce and achieve an appropriate balance of gender distribution/ratio which corresponds with the Group’s business needs and future developments. In this respect, the Group has been following its employment policies that recruitment, promotion, performance evaluation, wages assessment, training opportunities and retirement must be people-oriented, lawful, fair and without discrimination based on (among other things) gender, to the effect that female applicants and employees should be provided with equal employment and career development opportunities, giving rise to a pipeline of potential female candidates as successors to the Group’s middle to senior management and ultimately the Board. However, the mining industry has traditionally been perceived as male-dominated, and the participation of women is relatively low, making it more challenging to achieve a higher level of gender diversity.

## 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 C1 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 |
|--|------------------------------------|-------------------------|---------------------------------------|
| Liu Fang                                       | Independent non-executive Director | Chairman                | 3/3                                   |
| Wang Qihong                                    | Independent non-executive Director | Member                  | 3/3                                   |
| Liu Jishun ( <i>resigned on 16 June 2025</i> ) | Independent non-executive Director | Member                  | 2/3                                   |
| Kong Hua ( <i>appointed on 16 June 2025</i> )  | Independent non-executive Director | Member                  | 1/1                                   |

# Corporate Governance Report

During the year ended 31 December 2025, the Audit Committee held three meetings and reviewed with the management the Group's 2024 annual results, 2025 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's 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 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 2025. 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 2025, the remuneration paid and payable to Baker Tilly in respect of their audit and non-audit services were as follow:

|                    | 2025<br>RMB  |
|--------------------|--------------|
| Audit Services     | 1,679        |
| Non-audit Services | 703          |
| <b>Total</b>       | <b>2,382</b> |

The above non-audit services mainly included the review of the Group's interim report for the six months ended 30 June 2025 by Baker Tilly.

The accounts for the year were audited by Baker Tilly whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that Baker Tilly 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 2025, 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.

# Corporate Governance Report

## 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.

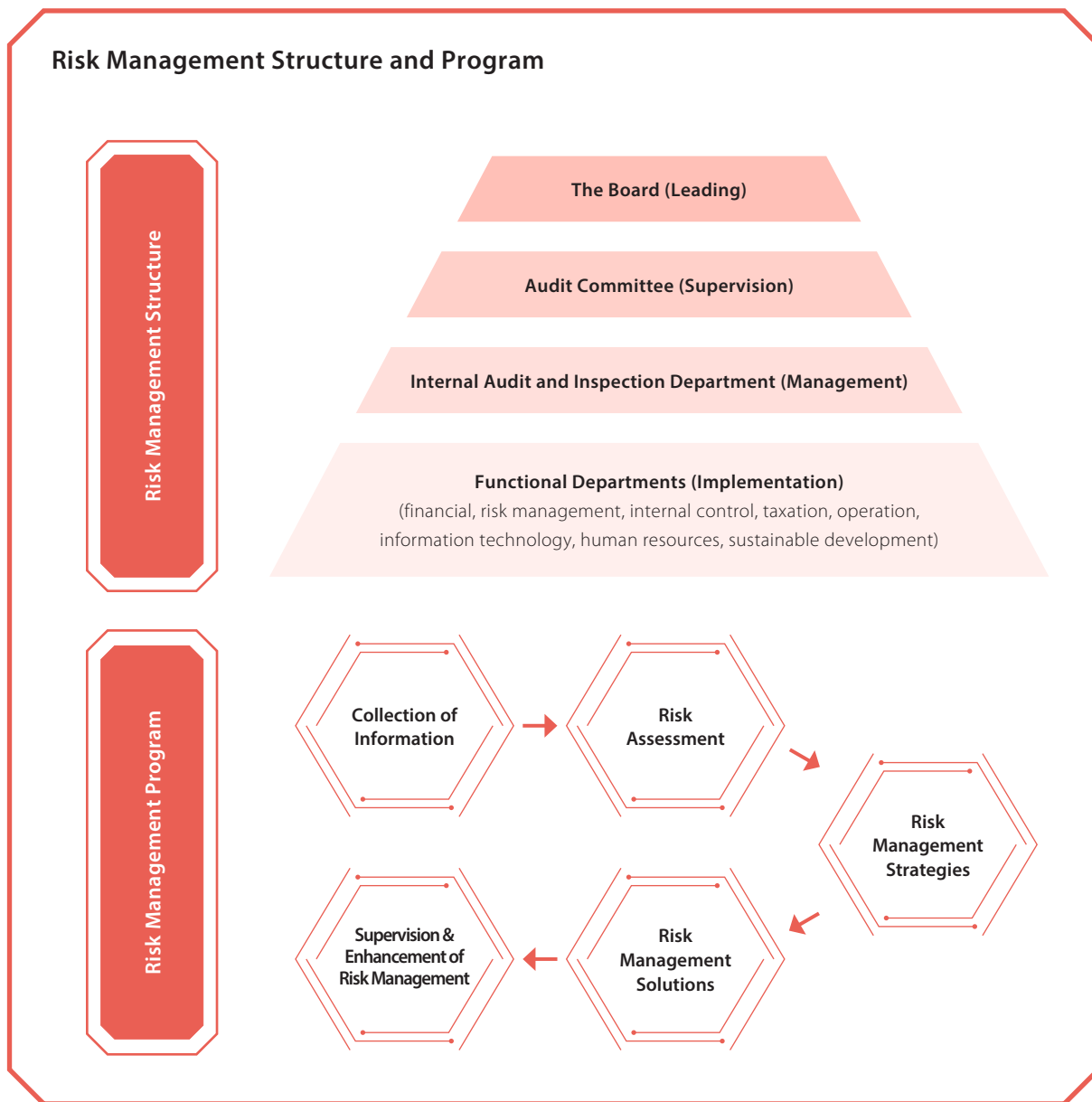
To enhance the knowledge of relevant staff of the Group, training will be provided to them on the relevant rules and applicable laws when appropriate.

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 2025, 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.

# Corporate Governance Report



With the assistance of the Audit Committee, the Board had reviewed and was satisfied with the effectiveness and adequacy of the internal control and risk management systems for the year under review, having had regard to the key processes of the Company. This was achieved primarily through:

- reviewing monthly performance, financial condition and major events of the Company
- reviewing monthly continuing connected transaction execution statistical table
- reviewing the findings, recommendations, and follow-up actions of internal control report
- reviewing annual company work report

# Corporate Governance Report

- reviewing risk management report
- reviewing controls and procedures of financial reporting and the interim and annual financial statements
- reviewing the nature, scope of work and reports of the external auditor

## INVESTOR AND SHAREHOLDER RELATIONS

### Dividend policy

The dividend policy of the Company is to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable 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.

Considering the continued fluctuation in performance of the Group, with economic slowdown, geopolitical tensions and soaring inflation in the past couple of years, leading to uncertainties for the coming periods,, the Board resolved not to recommend the payment of a final dividend for the current period.

### 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](http://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 2023 annual results and the business operation of the Company, the Company convened the 2024 annual results briefing on 22 April 2025 to exchange views on the common concerned issues of investors.

# Corporate Governance Report

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:

- convened annual results briefing with institutional investors, Shareholders and prospective Shareholders;
- 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 enquiries 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.

# Corporate Governance Report

## *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:

Rm 910-C, 9/F  
Tower 1, Cheung Sha Wan Plaza  
833 Cheung Sha Wan Road  
Cheung Sha Wan  
Kowloon  
Hong Kong  
Mr. Wong Yat Tung  
Fax: (852) 2868 2009

## **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



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

## **OPINION**

We have audited the consolidated financial statements of China Daye Non-Ferrous Metals Mining Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 113 to 195, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as 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"), as applicable to audits of financial statements of public interest entities. We have also 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 judgement, 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.

# Independent Auditor's Report

## KEY AUDIT MATTERS (Continued)

The key audit matter

How our audit addressed the key audit matter

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

Refer to notes 16, 17 and 19 to the consolidated financial statements and the accounting policies in note 3.2.

Included in the Group's consolidated statement of financial position as at 31 December 2025 were 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 ("Hui Xiang CGU", as defined in note 16) of RMB577,258,000, RMB7,920,000 and RMB144,672,000 respectively.

When there are indications that the Hui Xiang CGU may be impaired or an impairment loss previously recognised no longer exists or may have decreased are identified, management determines the recoverable amount of Hui Xiang CGU using a value in use ("VIU") calculation.

Based on management's impairment assessment on the Hui Xiang CGU, no impairment loss was recognised or reversed for the year ended 31 December 2025.

We identified the impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine as a key audit matter due to the significance of the balances of Hui Xiang CGU, and the significant degree of judgement made by management in determining the VIU.

Our procedures in relation to impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine included:

- Understanding the key controls relevant to the impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine;
- Evaluating the independent external valuer's competence, objectivity and qualification;
- Evaluating the valuation methodology and discount rate used in determining the recoverable amount of the Hui Xiang CGU with the assistance of our valuation specialist;
- Assessing the reliability of management's cash flow forecast by comparing the historical cash flow forecasts with the actual results of the Hui Xiang CGU;
- Comparing copper price used in VIU calculation to industry forecasts of copper price and challenging management's basis on the estimation;
- Testing the mathematical accuracy of the VIU calculation prepared by the management; and
- Assessing the sufficiency of the disclosures in the consolidated financial statements in respect of impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine with reference to the requirements of the prevailing accounting standards.

# Independent Auditor's Report

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement 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.

# Independent Auditor's Report

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 director on the audit resulting in this independent auditor's report is Chau Fong, Lily.

### **Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 31 March 2026

### **Chau Fong, Lily**

Practising certificate number P08090

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

|  | Notes | 2025<br>RMB'000     | 2024<br>RMB'000 |
|--|-------|---------------------|-----------------|
| <b>Revenue</b>   | 5     | <b>66,050,939</b>   | 57,852,731      |
| Cost of sales  |       | <b>(64,769,816)</b> | (56,232,599)    |
| <b>Gross profit</b>  |       | <b>1,281,123</b>    | 1,620,132       |
| Other income   | 7     | <b>61,046</b>       | 62,796          |
| Selling expenses   |       | <b>(44,803)</b>     | (26,784)        |
| Administrative expenses  |       | <b>(740,421)</b>    | (861,878)       |
| Other operating expenses   |       | <b>(98,435)</b>     | (132,332)       |
| Impairment losses recognised under expected credit loss model, net             | 8     | <b>(3,681)</b>      | (1,725)         |
| Other gains and losses   | 9     | <b>43,969</b>       | (98,594)        |
| Finance costs  | 10    | <b>(463,280)</b>    | (509,780)       |
| Share of loss of an associate  |       | <b>(848)</b>        | (1,570)         |
| <b>Profit before tax</b>   |       | <b>34,670</b>       | 50,265          |
| Income tax expenses  | 11    | <b>(29,300)</b>     | (40,669)        |
| <b>Profit and total comprehensive income for the year</b>                      | 12    | <b>5,370</b>        | 9,596           |
| <b>Profit/(loss) and total comprehensive income/(expense) attributable to:</b> |       |                     |                 |
| Owners of the Company  |       | <b>53,548</b>       | 40,197          |
| Non-controlling interests  |       | <b>(48,178)</b>     | (30,601)        |
|  |       | <b>5,370</b>        | 9,596           |
| <b>Earnings per share</b>  |       |                     |                 |
| Basic and diluted  | 15    | <b>RMB0.30 fen</b>  | RMB0.22 fen     |

# Consolidated Statement of Financial Position

As at 31 December 2025

|  | Notes | 2025<br>RMB'000   | 2024<br>RMB'000 |
|--|-------|-------------------|-----------------|
| <b>Non-current assets</b>                    |       |                   |                 |
| Property, plant and equipment                | 16    | 8,241,643         | 8,790,387       |
| Right-of-use assets                          | 17    | 846,338           | 855,593         |
| Exploration and evaluation assets            | 18    | 9,669             | 5,280           |
| Intangible assets                            | 19    | 533,817           | 533,803         |
| Interest in an associate                     | 20    | 7,233             | 8,081           |
| Deferred tax asset                           | 21    | 134,758           | 157,765         |
| Other deposits                               | 24    | 76,651            | 75,196          |
|  |       | <b>9,850,109</b>  | 10,426,105      |
| <b>Current assets</b>                        |       |                   |                 |
| Inventories                                  | 22    | 15,646,995        | 12,215,866      |
| Trade and bills receivables                  | 23    | 35,830            | 85,587          |
| Other deposits                               | 24    | 1,162,155         | 531,260         |
| Prepayments and other receivables            | 25    | 476,058           | 1,013,953       |
| Derivative financial instruments             | 26    | 110,160           | 63,551          |
| Restricted bank deposits                     | 27    | 4,189             | 3,219           |
| Cash, deposits and bank balances             | 27    | 1,917,761         | 1,532,031       |
|  |       | <b>19,353,148</b> | 15,445,467      |
| <b>Current liabilities</b>                   |       |                   |                 |
| Trade payables                               | 28    | 5,684,461         | 2,456,859       |
| Other payables and accrued expenses          | 29    | 1,293,410         | 1,481,762       |
| Contract liabilities                         | 30    | 120,451           | 218,834         |
| Bank and other borrowings                    | 31    | 6,822,104         | 8,130,983       |
| Lease liabilities                            | 32    | 15,425            | 5,779           |
| Derivative financial instruments             | 26    | 316,534           | 20,211          |
| Early retirement obligations                 | 36    | 7,900             | 10,650          |
| Current income tax liabilities               |       | 1,761             | 2,864           |
|  |       | <b>14,262,046</b> | 12,327,942      |
| <b>Net current assets</b>                    |       | <b>5,091,102</b>  | 3,117,525       |
| <b>Total assets less current liabilities</b> |       | <b>14,941,211</b> | 13,543,630      |

# Consolidated Statement of Financial Position

As at 31 December 2025

|  | Notes | 2025<br>RMB'000   | 2024<br>RMB'000 |
|--|-------|-------------------|-----------------|
| <b>Non-current liabilities</b>                                 |       |                   |                 |
| Other payables   | 29    | 364,391           | 375,039         |
| Bank and other borrowings                                      | 31    | 8,235,386         | 6,899,371       |
| Lease liabilities  | 32    | 125,246           | 117,980         |
| Promissory note  | 34    | 1,265,360         | 1,223,012       |
| Provision for mine rehabilitation, restoration and dismantling | 33    | 129,227           | 99,901          |
| Deferred income  | 35    | 113,084           | 115,413         |
| Early retirement obligations                                   | 36    | 17,750            | 26,400          |
|  |       | <b>10,250,444</b> | 8,857,116       |
| <b>Net assets</b>  |       |                   |                 |
|  |       | <b>4,690,767</b>  | 4,686,514       |
| <b>Capital and reserves</b>                                    |       |                   |                 |
| Share capital  | 37    | 727,893           | 727,893         |
| Share premium and reserves                                     |       | 2,409,266         | 2,355,718       |
| <b>Equity attributable to owners of the Company</b>            |       |                   |                 |
| Non-controlling interests                                      |       | 3,137,159         | 3,083,611       |
|  |       | <b>1,553,608</b>  | 1,602,903       |
| <b>Total equity</b>  |       |                   |                 |
|  |       | <b>4,690,767</b>  | 4,686,514       |

The consolidated financial statements on pages 113 to 195 were approved and authorised for issue by the board of directors on 31 March 2026 and are signed on its behalf by:

**Xiao Shuxin**  
Director

**Zhang Jinzhong**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

|   | Attributable to owners of the Company |                          |  |   |  |                                |   |                              | Non-controlling interests<br>RMB'000 | Total<br>RMB'000 |                      |
|---|---------------------------------------|--------------------------|--|---|--|--------------------------------|---|------------------------------|--------------------------------------|------------------|----------------------|
|   | Share capital<br>RMB'000              | Share premium<br>RMB'000 | Contributed surplus<br>RMB'000<br>(note (i)) | Capital reserve<br>RMB'000<br>(note (ii)) | Statutory reserve<br>RMB'000<br>(note (iii)) | Translation reserve<br>RMB'000 | Other reserve<br>RMB'000<br>(note (iv)) | Retained earnings<br>RMB'000 |                                      |                  | Sub-total<br>RMB'000 |
| At 1 January 2024   | 727,893                               | 124,592                  | 4,373,075                                    | (4,184,848)                               | 256,323                                      | 8,196                          | 1,563,838                               | 174,345                      | 3,043,414                            | 1,633,504        | 4,676,918            |
| Profit/(loss) and total comprehensive income/(expense) for the year | -                                     | -                        | -  | -   | -  | -                              | -                                       | 40,197                       | 40,197                               | (30,601)         | 9,596                |
| Appropriation of maintenance and production funds                   | -                                     | -                        | -  | -   | 88,103                                       | -                              | -                                       | (88,103)                     | -                                    | -                | -                    |
| Utilisation of maintenance and production funds                     | -                                     | -                        | -  | -   | (80,727)                                     | -                              | -                                       | 80,727                       | -                                    | -                | -                    |
| Transfer to PRC statutory reserve                                   | -                                     | -                        | -  | -   | 15,955                                       | -                              | -                                       | (15,955)                     | -                                    | -                | -                    |
| <b>At 31 December 2024 and 1 January 2025</b>                       | <b>727,893</b>                        | <b>124,592</b>           | <b>4,373,075</b>                             | <b>(4,184,848)</b>                        | <b>279,654</b>                               | <b>8,196</b>                   | <b>1,563,838</b>                        | <b>191,211</b>               | <b>3,083,611</b>                     | <b>1,602,903</b> | <b>4,686,514</b>     |
| Profit/(loss) and total comprehensive income/(expense) for the year | -                                     | -                        | -  | -   | -  | -                              | -                                       | 53,548                       | 53,548                               | (48,178)         | 5,370                |
| Appropriation of maintenance and production funds                   | -                                     | -                        | -  | -   | 117,494                                      | -                              | -                                       | (117,494)                    | -                                    | -                | -                    |
| Utilisation of maintenance and production funds                     | -                                     | -                        | -  | -   | (113,007)                                    | -                              | -                                       | 113,007                      | -                                    | -                | -                    |
| Transfer to PRC statutory reserve                                   | -                                     | -                        | -  | -   | 21,440                                       | -                              | -                                       | (21,440)                     | -                                    | -                | -                    |
| Dividend paid to non-controlling interests                          | -                                     | -                        | -  | -   | -  | -                              | -                                       | -                            | -                                    | (1,117)          | (1,117)              |
| <b>At 31 December 2025</b>  | <b>727,893</b>                        | <b>124,592</b>           | <b>4,373,075</b>                             | <b>(4,184,848)</b>                        | <b>305,581</b>                               | <b>8,196</b>                   | <b>1,563,838</b>                        | <b>218,832</b>               | <b>3,137,159</b>                     | <b>1,553,608</b> | <b>4,690,767</b>     |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

## Notes:

(i) In accordance with the provisions of Section 46(2) of the Bermuda Companies Act, 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) Capital reserve mainly arose from the group reorganisation in 2012.

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

### Statutory surplus reserves

Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements 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 to convert into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholders.

### 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 earnings 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 earnings.

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2025

|  | Notes   | 2025<br>RMB'000  | 2024<br>RMB'000 |
|--|---------|------------------|-----------------|
| <b>Operating activities</b>  |         |                  |                 |
| Profit before tax  |         | 34,670           | 50,265          |
| Adjustments for:   |         |                  |                 |
| Interest income  | 7       | (17,093)         | (16,077)        |
| Finance costs  | 10      | 463,280          | 509,780         |
| Share of loss of an associate  |         | 848              | 1,570           |
| Exchange losses/(gains), net   |         | 97               | (225)           |
| Depreciation and amortisation  | 12      | 73,370           | 83,252          |
| (Gain)/loss on disposal of property, plant and equipment, net              | 9       | (19,403)         | 473             |
| Gain on disposal of right-of-use assets                                    | 9       | (1,914)          | –               |
| Write-off of property, plant and equipment                                 | 9       | 116,202          | 132,615         |
| Impairment losses recognised under expected credit loss model, net         | 8       | 3,681            | 1,725           |
| (Reversal)/recognition of early retirement obligations                     | 36      | (1,610)          | 9,510           |
| (Reversal)/write-down of inventories                                       | 12(iii) | (34,040)         | 2,787           |
| Deferred income recognised   | 7       | (16,078)         | (15,613)        |
| Reversal of write-off of trade receivables                                 | 9       | –                | (1,299)         |
| Write-off of trade payables  | 9       | (4,096)          | (2,932)         |
| Operating cash flows before movements in working capital                   |         | 597,914          | 755,831         |
| (Increase)/decrease in inventories   |         | (2,662,383)      | 1,178,433       |
| Decrease/(increase) in derivative financial instruments, net               |         | 249,714          | (62,366)        |
| Decrease in trade and bills receivables                                    |         | 45,812           | 258,184         |
| Decrease/(increase) in prepayments and other receivables                   |         | 560,622          | (365,599)       |
| Increase/(decrease) in trade payables                                      |         | 3,231,698        | (1,108,333)     |
| (Decrease)/increase in other payables and accrued expenses                 |         | (10,590)         | 119,383         |
| (Decrease)/increase in contract liabilities                                |         | (98,383)         | 141,376         |
| (Increase)/decrease in other deposits                                      |         | (632,350)        | 11,599          |
| Decrease in early retirement obligations                                   |         | (10,110)         | (13,180)        |
| Increase in provision for mine rehabilitation, restoration and dismantling |         | 26,639           | 3,160           |
| <b>Cash generated from operations</b>                                      |         | <b>1,298,583</b> | <b>918,488</b>  |
| Income tax paid  |         | (7,396)          | (97,832)        |
| <b>Net cash generated from operating activities</b>                        |         | <b>1,291,187</b> | <b>820,656</b>  |

# Consolidated Statement of Cash Flows

For the year ended 31 December 2025

|  | 2025<br>RMB'000  | 2024<br>RMB'000  |
|--|------------------|------------------|
| <b>Investing activities</b>  |                  |                  |
| Payments for property, plant and equipment   | (471,779)        | (518,090)        |
| Payments for right-of-use assets   | (13,081)         | (8,150)          |
| Placement of restricted bank deposits  | (970)            | (3,219)          |
| Placement of structured bank deposits  | (700,000)        | (750,000)        |
| Payments for intangible assets   | (68,981)         | (4,426)          |
| Payments for exploration and evaluation assets   | (11,250)         | (6,482)          |
| Advance to a Daye Group  | (18,205)         | (118)            |
| Advance to a fellow subsidiary   | (4,355)          | (1,707)          |
| Release of structured bank deposits  | 700,000          | 750,000          |
| Proceeds from disposal of property, plant and equipment  | 22,436           | 40,685           |
| Proceeds from disposal of right-of-use assets  | 13,714           | –                |
| Interest received  | 17,093           | 16,077           |
| Receipts of government grants  | 15,359           | 7,000            |
| <b>Net cash used in investing activities</b>   | <b>(520,019)</b> | <b>(478,430)</b> |
| <b>Financing activities</b>  |                  |                  |
| Proceeds from new bank borrowings  | 15,208,800       | 17,647,395       |
| Proceeds from gold loans   | 1,728,818        | 1,734,279        |
| Advance from Daye Nonferrous Metals Group Holdings Company Limited and its subsidiaries ("Daye Group")         | 1,324,176        | 623,193          |
| Advance from Nonferrous Mining Group Finance Co. Ltd ("Finance Company", a fellow subsidiary of the Company)   | 196,109          | 250,187          |
| Repayments of bank borrowings  | (14,710,507)     | (17,219,304)     |
| Repayments to Daye Group   | (1,287,324)      | (695,255)        |
| Repayments of gold loans   | (2,433,121)      | (1,684,445)      |
| Finance costs paid   | (411,272)        | (458,128)        |
| Dividend paid to non-controlling interests   | (1,117)          | –                |
| <b>Net cash (used in)/from financing activities</b>  | <b>(385,438)</b> | <b>197,922</b>   |
| <b>Net increase in cash and cash equivalents</b>   | <b>385,730</b>   | <b>540,148</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b>  | <b>1,532,031</b> | <b>991,883</b>   |
| <b>Total cash and cash equivalents at the end of the year, represented by cash, deposits and bank balances</b> | <b>1,917,761</b> | <b>1,532,031</b> |

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION

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 of the annual report.

The Company is principally engaged in investment holding. The Company’s subsidiaries are principally engaged in mining and processing of mineral ores and selling/trading of metal products.

Prior to 20 October 2025, the Company’s immediate holding company was China Times Development Limited (“China Times”), which is incorporated in the British Virgin Islands. On 20 October 2025, China Times transferred all of its equity interests in the Company to Daye Nonferrous Metals Group Holding Co., Ltd. (“DNMG”), a state-owned enterprise established in the PRC. Thereafter, DNMG has become the Company’s immediate holding company.

China Nonferrous Metal Mining (Group) Co., Ltd. (“CNMC”), a state-owned enterprise established in the PRC, remains as the ultimate holding company.

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

As at 31 December 2025, the Company and its subsidiaries (the “Group”) had cash, deposits and bank balances, current portion of bank and other borrowings of approximately RMB1,917,761,000 and RMB6,822,104,000 respectively. Taking into account (i) the expected future cash flows of the Group, (ii) the unutilised bank facilities of RMB27,782,935,000 and (iii) bank borrowings of RMB1,560,072,000 raised after 31 December 2025 and due after 31 December 2026, the directors of the Company are of the view that the Group will have sufficient working capital to finance its normal operations for the twelve months from the end of the reporting period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## 2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

### 2.1 Amendments to an HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21

Lack of Exchangeability

The application of the amendments to an HKFRS Accounting Standard in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 2 APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

### 2.2 New and amendments to HKFRS Accounting Standards in issue but not yet effective

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

|   |   |
|---|---|
| Amendments to HKFRS 9 and HKFRS 7                                       | Amendments to the Classification and Measurement of Financial Instruments <sup>2</sup>  |
| Amendments to HKFRS 9 and HKFRS 7<br>Amendments to HKFRS 10 and HKAS 28 | Contracts Referencing Nature-dependent Electricity <sup>2</sup><br>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup> |
| Amendments to HKFRS Accounting Standards                                | Annual Improvements to HKFRS Accounting Standards – Volume 11 <sup>2</sup>  |
| Amendments to HKAS 21<br>HKFRS 18                                       | Translation to a Hyperinflationary Presentation Currency <sup>3</sup><br>Presentation and Disclosure in Financial Statements <sup>3</sup>                             |

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2027.

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

#### *HKFRS 18 “Presentation and Disclosure in Financial Statements” (“HKFRS 18”)*

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace HKAS 1 “Presentation of Financial Statements” (“HKAS 1”). This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (the title of which will be changed to Basis of Preparation of Financial Statements upon effective of HKFRS 18) and HKFRS 7. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and and disclosures in the future consolidated financial statements. The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" and value in use in HKAS 36 "Impairment of Assets".

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 categorises 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.

### 3.2 Material accounting policy information

#### *Basis of consolidation*

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

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Basis of consolidation (Continued)*

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

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

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

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

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

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

#### *Investment in an associate*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Investment in an associate (Continued)*

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Revenue from contracts with customers*

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in notes 5 and 30.

#### *Leases*

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

#### *The Group as a lessee*

##### Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

##### Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold lands, offices, warehouses and dormitories that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

##### Right-of-use assets

The cost of right-of-use assets include:

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

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

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

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Leases (Continued)*

##### *The Group as a lessee (Continued)*

##### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates and a country-specific risk adjustment.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in an index or a rate used to determine those payments/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

#### *Borrowing costs*

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

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

#### *Government grants*

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

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Employee benefits*

##### *Pension obligation*

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

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

##### *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 Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

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

##### *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 withdraw the offer of the early retirement. The early retirement is offered for a clearly defined period and once the termination plan is confirmed by the employee and the Group, there is no possibility of new participant. Benefits falling due more than 12 months after the end of reporting period are discounted to present value using the projected unit credit actuarial valuation method.

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

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Taxation*

Income tax expense represents the sum of the current and deferred income tax expense.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at time of the transactions does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Taxation (Continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

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 entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### *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.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Property, plant and equipment (Continued)*

Depreciation for other items of property, plant and equipment, other than construction in progress, is recognised so as to write off the cost of assets, less their residual values over their estimated useful lives, using the straight-line method as follows:

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

The estimated 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.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Exploration and evaluation expenditures (Continued)*

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.

#### *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.

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.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Intangible assets (Continued)*

##### *Intangible assets acquired in a business combination (Continued)*

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 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 individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Cash and cash equivalents*

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of 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 than for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 27. If the contractual restrictions to use the cash extend beyond 12 months after the end of the reporting period, the related amounts are classified as non-current in the consolidated statement of financial position.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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.

#### *Financial instruments*

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

##### *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 market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### Classification and subsequent measurement of financial assets

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

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

##### (i) Amortised cost and interest income

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

##### (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

##### Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including cash, deposits and bank balances, restricted bank deposits, trade and bills receivables, other receivables and other deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Impairment of financial assets (Continued)

##### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Impairment of financial assets (Continued)

###### (ii) Definition of default

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

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.

###### (iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

###### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Impairment of financial assets (Continued)

##### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

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.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

##### *Financial assets (Continued)*

##### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (note 9) as part of the foreign exchange gains/losses, net;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the gain/loss from changes in fair value of financial assets (note 9).

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

##### *Financial liabilities and equity instruments*

##### Classification as debt or equity

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

##### Equity instruments

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

##### Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (Continued)

#### *Financial instruments (Continued)*

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

##### Financial liabilities at amortised cost

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

##### Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss (note 9) as part of foreign exchange gains/losses, net for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

##### Derecognition of financial liabilities

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

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

##### Embedded derivatives

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

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

#### *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).

# Notes to the Consolidated Financial Statements

## 3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

### 3.2 Material accounting policy information (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 presented 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.

## 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 and liabilities that are not readily apparent from other sources. The estimates and underlying 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 may have a significant risk of causing in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **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. Management of the Group 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.

# Notes to the Consolidated Financial Statements

## 4 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Impairment of property, plant and equipment, right-of-use assets and mining rights (Continued)

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 there are any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of 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, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates in the cash flow projections, could materially affect the recoverable amounts.

Management of the Group conducted impairment testing for the property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine held by a subsidiary, Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("Hui Xiang"), and concluded that the recoverable amounts of those assets as at 31 December 2025 are close to their carrying amounts. Accordingly, no further impairment losses or reversal of impairment loss was recognised in the year ended 31 December 2025 (2024: nil).

As at 31 December 2025, the carrying amounts of property, plant and equipment, right-of-use assets and mining rights of Hui Xiang were RMB577,258,000, RMB7,920,000 and RMB144,672,000 (2024: RMB583,548,000, RMB9,049,000 and RMB179,268,000), respectively.

### Provision for mine rehabilitation, restoration and dismantling

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 2025, the carrying amount of provision for rehabilitation, restoration and dismantling was approximately RMB129,227,000 (2024: RMB99,901,000).

### Allowance for inventories

Management review 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, 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 2025, the carrying amount of inventories was approximately RMB15,646,995,000 (2024: RMB12,215,866,000).

# Notes to the Consolidated Financial Statements

## 4 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### 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 collectively 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 2025, the carrying amount of trade receivables was RMB35,128,000 (2024: RMB84,255,000), net of the allowance for credit losses on trade receivables of RMB44,365,000 (2024: RMB42,382,000).

### Deferred tax assets

As at 31 December 2025, deferred tax assets of RMB20,915,000 (2024: RMB46,623,000) in relation to unused tax losses for certain operating subsidiaries have been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB156,370,000 (2024: RMB114,777,000) due to the unpredictability of future profit streams. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty especially volatility in foreign currency or commodity markets may progress and evolve. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

### Mine reserves

Engineer 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 amounts of building and mining infrastructure and property and the related depreciation are set out 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 the paragraph headed Mine reserves above.

# Notes to the Consolidated Financial Statements

## 4 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Fair value of derivative financial instruments

Management of the Group 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 39(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 period.

## 5 REVENUE

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

|   | 2025<br>RMB'000   | 2024<br>RMB'000 |
|---|-------------------|-----------------|
| Disaggregation of revenue from contracts with customers |                   |                 |
| Sales of goods  | 66,025,093        | 57,817,161      |
| Rendering of services                                   | 25,846            | 35,570          |
|   | <b>66,050,939</b> | 57,852,731      |
| Timing of revenue recognition                           |                   |                 |
| At a point in time                                      | 66,025,093        | 57,817,161      |
| Over time   | 25,846            | 35,570          |
|   | <b>66,050,939</b> | 57,852,731      |

# Notes to the Consolidated Financial Statements

## 5 REVENUE (Continued)

### *Performance obligations for contracts with customers and revenue recognition policies*

The performance obligations for contracts with customers include sales of non-ferrous metals and other materials and 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 or service is transferred to the customers.

### *Sales of goods*

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. Revenue is recognised when control of the goods has transferred, being at the point when the goods have been delivered to the customers at the locations agreed between the Group and the customers. Initial recognition of the amounts is based on the forward prices for the expected date of final settlement. The period between revenue recognition and final settlement is within one to three months.

### *Copper processing service*

The Group provides copper processing services to customers. Such services are recognised as income satisfied over time. Revenue is recognised for these processing services based on the stage of completion of the contract. The directors of the Company have assessed that the stage of completion determined as the proportion of the total time expected to process that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under HKFRS 15.

### *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.

# Notes to the Consolidated Financial Statements

## 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 HKFRS Accounting Standards as a whole. 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:

|  | 2025<br>RMB'000   | 2024<br>RMB'000 |
|--|-------------------|-----------------|
| Sales of goods:                          |                   |                 |
| Copper cathodes                          | <b>44,951,200</b> | 40,143,775      |
| Other copper products                    | <b>6,464,861</b>  | 6,792,738       |
| Gold and other gold products             | <b>7,451,038</b>  | 5,791,719       |
| Silver and other silver products         | <b>5,330,183</b>  | 4,198,732       |
| Sulphuric acid and sulphuric concentrate | <b>1,262,897</b>  | 358,782         |
| Iron ores                                | <b>196,841</b>    | 155,565         |
| Copper sulphate                          | <b>135,899</b>    | 122,881         |
| Others                                   | <b>232,174</b>    | 252,969         |
|  | <b>66,025,093</b> | 57,817,161      |
| Rendering of services:                   |                   |                 |
| Copper processing                        | <b>3</b>          | 8,342           |
| Others                                   | <b>25,843</b>     | 27,228          |
|  | <b>25,846</b>     | 35,570          |
| Total revenue                            | <b>66,050,939</b> | 57,852,731      |

# Notes to the Consolidated Financial Statements

## 6 SEGMENT INFORMATION (Continued)

### Geographical information

All the Group's non-current assets (excluding other deposits and deferred tax assets) as at 31 December 2025 and 2024 are located in Mainland China, based on geographical location of the assets or the location of operation.

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

|                | 2025<br>RMB'000   | 2024<br>RMB'000 |
|----------------|-------------------|-----------------|
| Mainland China | 58,340,056        | 57,047,896      |
| Hong Kong      | 6,801,459         | 437,622         |
| Others         | 909,424           | 367,213         |
|                | <b>66,050,939</b> | 57,852,731      |

### Information about major customers

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

|           | 2025<br>RMB'000 | 2024<br>RMB'000 |
|-----------|-----------------|-----------------|
| Company A | 12,392,855      | 14,112,903      |

## 7 OTHER INCOME

|                                      | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--------------------------------------|-----------------|-----------------|
| Interest income from banks           | 6,128           | 6,951           |
| Interest income from Finance Company | 10,965          | 9,126           |
| Government grants (note)             | 23,028          | 24,553          |
| Deferred income recognised (note 35) | 16,078          | 15,613          |
| Others                               | 4,847           | 6,553           |
|                                      | <b>61,046</b>   | 62,796          |

Note: The government grants for 2025 mainly represented incentive fund for foreign trade and unemployment insurance benefits, and those for 2024 mainly represented subsidies for environmental restoration and incentive fund for foreign trade of which the relevant expenses had been previously charged to profit or loss. There were no conditions and other contingencies attached to the receipts of these subsidies.

# Notes to the Consolidated Financial Statements

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

|   | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---|-----------------|-----------------|
| Net impairment losses recognised/(reversed) on: |                 |                 |
| Trade receivables                               | 3,684           | 987             |
| Other receivables                               | (3)             | 738             |
|   | <b>3,681</b>    | 1,725           |

Details of impairment assessment are set out in note 39(b).

## 9 OTHER GAINS AND LOSSES

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| Gain/(loss) on disposal of property, plant and equipment | 19,403          | (473)           |
| Gain on disposal of right-of-use assets                  | 1,914           | –               |
| Write-off of property, plant and equipment (note)        | (116,202)       | (132,615)       |
| Exchange gains, net                                      | 134,758         | 30,263          |
| Reversal of write-off of trade receivables               | –               | 1,299           |
| Write-off of trade payables                              | 4,096           | 2,932           |
|  | <b>43,969</b>   | (98,594)        |

Note: The write-off of property, plant and equipment in 2025 and 2024 mainly represents the loss arising from rectification and upgrade of certain mining sites and smelters.

## 10 FINANCE COSTS

|   | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---|-----------------|-----------------|
| Interest on bank and other borrowings   | 370,663         | 418,347         |
| Interest on loans from Daye Group   | 31,773          | 35,583          |
| Interest on loans from Finance Company  | 8,836           | 4,198           |
| Interest on lease liabilities   | 6,653           | 6,236           |
| Interest on promissory note (note 34)   | 42,348          | 42,464          |
| Unwind interest of provision for mine rehabilitation, restoration and dismantling (note 33) | 2,687           | 2,212           |
| Unwind interest of early retirement obligations (note 36)                                   | 320             | 740             |
|   | <b>463,280</b>  | 509,780         |

# Notes to the Consolidated Financial Statements

## 11 INCOME TAX EXPENSES

|                                 | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---------------------------------|-----------------|-----------------|
| PRC Enterprise Income Tax       |                 |                 |
| – Current year                  | 2,100           | 9,322           |
| – Underprovision in prior years | 1,905           | 355             |
|                                 | 4,005           | 9,677           |
| PRC withholding tax             | 2,288           | –               |
| Deferred tax (note 21)          | 23,007          | 30,992          |
|                                 | 29,300          | 40,669          |

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

During the year ended 31 December 2025, one (2024: two) of the PRC subsidiaries of the Group is recognised as high and new technology enterprises and entitled to a preferential tax rate of 15% and one (2024: nil) of the PRC subsidiaries of the Group is engaged in business in the “Encouraged Industries in the Western Region” and entitled to a preferential tax rate of 15%.

According to the relevant laws regulations in the PRC, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB3,000,000). During the year ended 31 December 2025, one (2024: one) of the PRC subsidiaries is qualified as small and low profit enterprise and entitled to the preferential income tax rate.

Under the PRC Income Tax Law and its relevant regulations 100% additional tax deduction is allowed for qualified research and development costs.

No provision for Hong Kong Profits Tax has been made as the Group’s income neither arises in, nor is derived from, Hong Kong for both years.

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

Withholding tax is calculated at 10% of the dividend income received from a subsidiary in the PRC during the year ended 31 December 2025.

# Notes to the Consolidated Financial Statements

## 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 and other comprehensive income as follows:

|   | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---|-----------------|-----------------|
| Profit before tax   | <b>34,670</b>   | 50,265          |
| Tax at the applicable income tax rate at 25% (2024: 25%) (note)                                       | <b>8,668</b>    | 12,566          |
| Tax effect of expenses not deductible for tax purpose   | <b>11,283</b>   | 8,465           |
| Tax effect of tax losses not recognised and deductible temporary differences not recognised           | <b>6,635</b>    | 9,251           |
| Utilisation of tax losses previously not recognised   | –               | (2)             |
| Tax effect of tax concession of research and development costs  | <b>(10,888)</b> | (502)           |
| Underprovision in respect of prior years  | <b>1,905</b>    | 355             |
| Effect of different tax rates of subsidiaries operating in other jurisdictions and concessionary rate | <b>3,942</b>    | 5,230           |
| Withholding tax on dividend income from a subsidiary  | <b>2,288</b>    | –               |
| Others  | <b>5,467</b>    | 5,306           |
| Income tax expenses for the year  | <b>29,300</b>   | 40,669          |

Note: The domestic tax rate in the jurisdiction where the operation of the Group substantially based is used.

# Notes to the Consolidated Financial Statements

## 12 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

|  | 2025<br>RMB'000   | 2024<br>RMB'000 |
|--|-------------------|-----------------|
| Depreciation of property, plant and equipment (note (i))   | <b>690,781</b>    | 798,682         |
| Depreciation of right-of-use assets (note (i))   | <b>41,467</b>     | 34,184          |
| Amortisation of intangible assets (note (i))   | <b>75,828</b>     | 70,983          |
| Total depreciation and amortisation  | <b>808,076</b>    | 903,849         |
| Capitalised in inventories   | <b>(734,706)</b>  | (820,597)       |
|  | <b>73,370</b>     | 83,252          |
| Employee benefits expense (including directors' remuneration as disclosed in note 13) (note (ii)): |                   |                 |
| Salaries, wages and welfare  | <b>892,987</b>    | 856,949         |
| Retirement benefits scheme contributions   | <b>103,500</b>    | 128,959         |
| Total staff costs  | <b>996,487</b>    | 985,908         |
| Capitalised in inventories   | <b>(755,652)</b>  | (742,447)       |
|  | <b>240,835</b>    | 243,461         |
| Cost of sales comprise:  |                   |                 |
| Cost of inventories recognised as an expense (notes (iii) and (iv))                                | <b>64,758,715</b> | 56,213,856      |
| Direct operating expense arising from services provided  | <b>11,101</b>     | 18,743          |
|  | <b>64,769,816</b> | 56,232,599      |
| Auditors' remuneration   | <b>2,382</b>      | 2,188           |
| Research and development costs (note (iv))   | <b>215,543</b>    | 187,224         |

Notes:

- (i) During the year ended 31 December 2025, due to temporary shutdown of a mining site and smelter, depreciation of property, plant and equipment of approximately RMB3,655,000 (2024: RMB43,504,000) and depreciation of right-of-use assets and amortisation of intangible assets of totalling approximately RMB2,116,000 (2024: RMB4,231,000) were classified as other operating expenses in the consolidated statement of profit or loss and other comprehensive income.
- (ii) During the year ended 31 December 2025, due to a temporary shutdown of a mining site and smelter, employee benefits expense in relation to production of approximately RMB4,749,000 (2024: RMB19,967,000) was classified as other operating expenses in the consolidated statement of profit or loss and other comprehensive income.
- (iii) During the year ended 31 December 2025, write-down of RMB57,670,000 and reversal of write-down of RMB23,630,000 of inventories (2024: write-down of RMB4,485,000 and reversal of write-down of RMB6,492,000) of inventories have been recognised and included in cost of sales. The reversal of write-down of inventories was the result of subsequent use of written-down raw materials in the production process and subsequent sales of written-down finished goods.
- (iv) Research and development costs and cost of inventories recognised as an expense included approximately RMB804,465,000 (2024: RMB783,830,000) in total relating to staff costs which are included in employee benefits expense disclosed separately above.

# Notes to the Consolidated Financial Statements

## 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 |  |   |                  |  | Total<br>RMB'000 |
|---|------------------|--|---|------------------|--|------------------|
|   | Fees<br>RMB'000  | Salaries<br>and other<br>allowances<br>RMB'000 | Retirement<br>benefit<br>scheme<br>contributions<br>RMB'000 | Bonus<br>RMB'000 |  |                  |
| <b>2025</b>                                     |                  |  |   |                  |  |                  |
| <i>Executive Directors</i>                      |                  |  |   |                  |  |                  |
| Mr. Xiao Shuxin                                 | -                | 1,000  | 70  | -                |  | 1,070            |
| Mr. Zhang Jinzhong<br>(Chief Executive Officer) | -                | 673  | 70  | -                |  | 743              |
| Ms. Zhang Aijun                                 | -                | 690  | 45  | -                |  | 735              |
| Mr. Chen Xuewen (note (i))                      | -                | 492  | 19  | -                |  | 511              |
| <i>Independent Non-executive Directors</i>      |                  |  |   |                  |  |                  |
| Ms. Liu Fang                                    | 92               | -  | -   | -                |  | 92               |
| Mr. Wang Qihong                                 | 92               | -  | -   | -                |  | 92               |
| Mr. Kong Hua (note (ii))                        | 50               | -  | -   | -                |  | 50               |
| Mr. Liu Jishun (note (iii))                     | 42               | -  | -   | -                |  | 42               |
|   | <b>276</b>       | <b>2,855</b>                                   | <b>204</b>  | <b>-</b>         |  | <b>3,335</b>     |

# Notes to the Consolidated Financial Statements

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

### Directors and Chief Executive Officer (Continued)

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: (Continued)

|   | Fees<br>RMB'000 | Other emoluments                               |   |                  | Total<br>RMB'000 |
|---|-----------------|--|---|------------------|------------------|
|   |                 | Salaries<br>and other<br>allowances<br>RMB'000 | Retirement<br>benefit<br>scheme<br>contributions<br>RMB'000 | Bonus<br>RMB'000 |                  |
| <b>2024</b>   |                 |  |   |                  |                  |
| <i>Executive Directors</i>                                  |                 |  |   |                  |                  |
| Mr. Xiao Shuxin   | –               | 943  | 107   | –                | 1,050            |
| Mr. Zhang Jinzhong<br>(Chief Executive Officer) (note (iv)) | –               | 589  | 116   | –                | 705              |
| Ms. Zhang Aijun (note (v))                                  | –               | 288  | 50  | –                | 338              |
| Mr. Chen Xuewen (note (i))                                  | –               | 401  | 37  | –                | 438              |
| Mr. Chen Zhimiao (note (vi))                                | –               | 464  | 28  | –                | 492              |
| Mr. Zhang Guangming (note (vii))                            | –               | 331  | 19  | –                | 350              |
| <i>Independent Non-executive Directors</i>                  |                 |  |   |                  |                  |
| Ms. Liu Fang  | 91              | –  | –   | –                | 91               |
| Mr. Wang Qihong   | 91              | –  | –   | –                | 91               |
| Mr. Liu Jishun (note (iii))                                 | 91              | –  | –   | –                | 91               |
|   | 273             | 3,016  | 357   | –                | 3,646            |

Notes:

- (i) Mr. Chen Xuewen was appointed as an executive director on 28 May 2024 and resigned as an executive director on 26 June 2025.
- (ii) Mr. Kong Hua was appointed as an independent non-executive director on 16 June 2025.
- (iii) Mr. Liu Jishun resigned as an independent non-executive director on 16 June 2025.
- (iv) Mr. Zhang Jinzhong was appointed as Chief Executive Officer on 28 May 2024.
- (v) Ms. Zhang Aijun was appointed as an executive director on 28 May 2024.
- (vi) Mr. Chen Zhimiao resigned as an executive director on 28 May 2024.
- (vii) Mr. Zhang Guangming resigned as an executive director and Chief Executive Officer on 28 May 2024.

# Notes to the Consolidated Financial Statements

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

### Directors and Chief Executive Officer (Continued)

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

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

The remuneration of certain 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.

Of the five individuals with the highest emoluments in the Group, one (2024: two) was/were director(s) whose emoluments are included in the disclosures above. The emoluments of the remaining four (2024: three) individuals are as follows:

|   | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---|-----------------|-----------------|
| Salaries and other allowances           | 3,181           | 2,005           |
| Retirement benefit scheme contributions | 266             | 164             |
|   | <b>3,447</b>    | 2,169           |

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

|                      | 2025 | 2024 |
|----------------------|------|------|
| Nil to HK\$1,000,000 | 4    | 3    |

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

# Notes to the Consolidated Financial Statements

## 14 DIVIDEND

No dividend was paid or proposed for shareholders of the Company during the year ended 31 December 2025, nor has any dividend been proposed since the end of the reporting period (2024: 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

|   | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---|-----------------|-----------------|
| Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share | <b>53,548</b>   | 40,197          |

### Number of shares

|  | 2025<br>'000      | 2024<br>'000 |
|--|-------------------|--------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | <b>17,895,580</b> | 17,895,580   |

The computation of diluted earnings per share for both years does not include the impact of any potential ordinary shares to be allotted for settlement of the promissory note (see note 34) issued as the number of shares to be issued is not fixed and to be determined by reference to the market price of the Company's shares quoted on the Stock Exchange.

# Notes to the Consolidated Financial Statements

## 16 PROPERTY, PLANT AND EQUIPMENT

|  | Buildings and mining infrastructure<br>RMB'000 | Plant and machinery<br>RMB'000 | Motor vehicles<br>RMB'000 | Electricity equipment and others<br>RMB'000 | Construction in progress<br>RMB'000 | Total<br>RMB'000 |
|--|--|--------------------------------|---------------------------|---|-------------------------------------|------------------|
| <b>Cost</b>                            |  |                                |                           |   |                                     |                  |
| At 1 January 2024                      | 5,714,579                                      | 10,473,486                     | 141,384                   | 102,555                                     | 414,536                             | 16,846,540       |
| Additions                              | 12,790   | 53,003                         | 7,048                     | 1,707                                       | 443,542                             | 518,090          |
| Transfer                               | 90,310   | 402,966                        | (113)                     | 14,237                                      | (507,400)                           | –                |
| Disposals                              | (46,288)                                       | –                              | –                         | –   | –                                   | (46,288)         |
| Write-off                              | (188,356)                                      | (888,498)                      | (8,425)                   | (164)                                       | (543)                               | (1,085,986)      |
| At 31 December 2024 and 1 January 2025 | 5,583,035                                      | 10,040,957                     | 139,894                   | 118,335                                     | 350,135                             | 16,232,356       |
| Additions                              | 32,846   | 54,582                         | 7,223                     | 3,379                                       | 163,242                             | 261,272          |
| Transfer                               | 8,811  | 82,932                         | 341                       | 210   | (92,294)                            | –                |
| Disposals                              | (14,287)                                       | –                              | –                         | (215)                                       | –                                   | (14,502)         |
| Write-off                              | (196,231)                                      | (271,817)                      | (4,668)                   | (3,529)                                     | (562)                               | (476,807)        |
| At 31 December 2025                    | 5,414,174                                      | 9,906,654                      | 142,790                   | 118,180                                     | 420,521                             | 16,002,319       |
| <b>Accumulated depreciation</b>        |  |                                |                           |   |                                     |                  |
| At 1 January 2024                      | (2,605,674)                                    | (4,479,988)                    | (98,273)                  | (76,766)                                    | –                                   | (7,260,701)      |
| Provided for the year                  | (283,249)                                      | (499,497)                      | (11,136)                  | (4,800)                                     | –                                   | (798,682)        |
| Eliminated on disposals                | 5,130  | –                              | –                         | –   | –                                   | 5,130            |
| Eliminated on write-off                | 161,728  | 778,043                        | 8,035                     | 155   | –                                   | 947,961          |
| At 31 December 2024 and 1 January 2025 | (2,722,065)                                    | (4,201,442)                    | (101,374)                 | (81,411)                                    | –                                   | (7,106,292)      |
| Provided for the year                  | (209,191)                                      | (469,299)                      | (6,921)                   | (5,370)                                     | –                                   | (690,781)        |
| Eliminated on disposals                | 7,907  | –                              | –                         | 204   | –                                   | 8,111            |
| Eliminated on write-off                | 133,801  | 218,631                        | 4,297                     | 3,349                                       | –                                   | 360,078          |
| At 31 December 2025                    | (2,789,548)                                    | (4,452,110)                    | (103,998)                 | (83,228)                                    | –                                   | (7,428,884)      |
| <b>Accumulated impairment</b>          |  |                                |                           |   |                                     |                  |
| At 1 January 2024                      | (277,930)                                      | (33,572)                       | (12)                      | (3,033)                                     | (26,540)                            | (341,087)        |
| Eliminated on write-off                | 7  | 5,391                          | 12                        | –   | –                                   | 5,410            |
| At 31 December 2024 and 1 January 2025 | (277,923)                                      | (28,181)                       | –                         | (3,033)                                     | (26,540)                            | (335,677)        |
| Eliminated on disposals                | 3,358  | –                              | –                         | –   | –                                   | 3,358            |
| Eliminated on write-off                | 398  | –                              | –                         | –   | 129                                 | 527              |
| At 31 December 2025                    | (274,167)                                      | (28,181)                       | –                         | (3,033)                                     | (26,411)                            | (331,792)        |
| <b>Carrying values</b>                 |  |                                |                           |   |                                     |                  |
| At 31 December 2025                    | 2,350,459                                      | 5,426,363                      | 38,792                    | 31,919                                      | 394,110                             | 8,241,643        |
| At 31 December 2024                    | 2,583,047                                      | 5,811,334                      | 38,520                    | 33,891                                      | 323,595                             | 8,790,387        |

# Notes to the Consolidated Financial Statements

## 16 PROPERTY, PLANT AND EQUIPMENT (Continued)

### Impairment assessment

During the year ended 31 December 2025, management of the Group, with the assistance of Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”), an independent qualified professional valuer not connected with the Group, conducted an impairment assessment for the property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine comprising the cash-generating unit in relation to the operations of Hui Xiang (the “Hui Xiang CGU”). The recoverable amount of the Hui Xiang CGU was determined on basis of its value in use. The value in use calculation used cash flow projection based on the financial budget approved by the management covering the expected useful life of relevant assets. The pre-tax discount rate adopted in the cash flow projection is 11.56% (2024: 11.90%) which reflects the specific risks relating to the Hui Xiang CGU. The results of the impairment assessment did not lead to recognition of further impairment losses or reversal of impairment losses for the Hui Xiang CGU during both years.

Key assumptions adopted in the above value-in-use calculations include future revenue, budgeted gross margin and operating cost, which were determined based on the Hui Xiang CGU’s past performance, the Group’s business plans and management expectations for the market development.

## 17 RIGHT-OF-USE ASSETS

|   | Machinery<br>RMB’000 | Lands<br>RMB’000 | Total<br>RMB’000 |
|---|----------------------|------------------|------------------|
| As at 1 January 2024                      | –                    | 881,627          | 881,627          |
| Additions                                 | –                    | 8,150            | 8,150            |
| Depreciation for the year                 | –                    | (34,184)         | (34,184)         |
| As at 31 December 2024 and 1 January 2025 | –                    | 855,593          | 855,593          |
| Additions                                 | 2,436                | 41,576           | 44,012           |
| Depreciation for the year                 | (677)                | (40,790)         | (41,467)         |
| Disposals                                 | –                    | (11,800)         | (11,800)         |
| As at 31 December 2025                    | 1,759                | 844,579          | 846,338          |

Lands located in the PRC have remaining lease periods ranging from 4 to 46 years (2024: 15 to 47 years). In respect of machinery, the remaining period is 3 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

During the year ended 31 December 2025, expense relating to short-term leases and leases of low-value assets amounted to approximately RMB207,000 (2024: RMB419,000). The total cash outflow for leases during the year ended 31 December 2025 amounted to approximately RMB10,852,000 (2024: RMB8,569,000).

# Notes to the Consolidated Financial Statements

## 18 EXPLORATION AND EVALUATION ASSETS

|   | RMB'000 |
|---|---------|
| As at 1 January 2024                      | 5,128   |
| Additions                                 | 6,482   |
| Transfer to mining rights (note 19)       | (6,330) |
| As at 31 December 2024 and 1 January 2025 | 5,280   |
| Additions                                 | 11,250  |
| Transfer to mining rights (note 19)       | (6,861) |
| As at 31 December 2025                    | 9,669   |

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<br>RMB'000 | Software and others<br>RMB'000 | Total<br>RMB'000 |
|---|--------------------------|--------------------------------|------------------|
| <b>Cost</b>   |                          |                                |                  |
| At 1 January 2024   | 1,461,341                | 38,339                         | 1,499,680        |
| Additions   | 3,971                    | 455                            | 4,426            |
| Transfer from exploration and evaluation assets (note 18) | 6,330                    | –                              | 6,330            |
| At 31 December 2024 and 1 January 2025                    | 1,471,642                | 38,794                         | 1,510,436        |
| Additions   | –                        | 68,981                         | 68,981           |
| Transfer from exploration and evaluation assets (note 18) | 6,861                    | –                              | 6,861            |
| At 31 December 2025                                       | 1,478,503                | 107,775                        | 1,586,278        |
| <b>Accumulated amortisation and impairment</b>            |                          |                                |                  |
| At 1 January 2024   | (881,092)                | (24,558)                       | (905,650)        |
| Amortisation for the year                                 | (68,261)                 | (2,722)                        | (70,983)         |
| At 31 December 2024 and 1 January 2025                    | (949,353)                | (27,280)                       | (976,633)        |
| Amortisation for the year                                 | (68,261)                 | (7,567)                        | (75,828)         |
| At 31 December 2025                                       | (1,017,614)              | (34,847)                       | (1,052,461)      |
| <b>Carrying values</b>                                    |                          |                                |                  |
| At 31 December 2025                                       | 460,889                  | 72,928                         | 533,817          |
| At 31 December 2024                                       | 522,289                  | 11,514                         | 533,803          |

# Notes to the Consolidated Financial Statements

## 20 INTEREST IN AN ASSOCIATE

|                    | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--------------------|-----------------|-----------------|
| Share of net asset | 7,233           | 8,081           |

The interest in an associate is not regarded as material to the Group.

Summarised financial information of the associate not individually material:

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| <b>For the year ended 31 December</b>                    |                 |                 |
| Group's share of associate's loss after tax              | (848)           | (1,570)         |
| Group's share of associate's other comprehensive expense | -               | -               |
| Group's share of associate's total comprehensive expense | (848)           | (1,570)         |

# Notes to the Consolidated Financial Statements

## 21 DEFERRED TAX ASSETS

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

|  | Accrued expenses<br>RMB'000 | Provision for mine rehabilitation, restoration and dismantling<br>RMB'000 | Early retirement obligations<br>RMB'000 | Impairment losses<br>RMB'000 | Write-down of inventories<br>RMB'000 | Tax losses<br>RMB'000 | Right-of-use assets<br>RMB'000 | Lease liabilities<br>RMB'000 | Accelerated depreciation<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------------------|---|---|------------------------------|--------------------------------------|-----------------------|--------------------------------|------------------------------|-------------------------------------|-------------------|------------------|
| At 1 January 2024                      | 36,973                      | 17,904  | 9                                       | 30,040                       | 10,863                               | 86,043                | (29,041)                       | 32,153                       | (5,704)                             | 9,517             | 188,757          |
| Credited/(charged) to profit or loss   | 5,840                       | 1,930   | 4                                       | (785)                        | (502)                                | (39,420)              | 1,652                          | (1,213)                      | 347                                 | 1,155             | (30,992)         |
| At 31 December 2024 and 1 January 2025 | 42,813                      | 19,834  | 13                                      | 29,255                       | 10,361                               | 46,623                | (27,389)                       | 30,940                       | (5,357)                             | 10,672            | 157,765          |
| Credited/(charged) to profit or loss   | 450                         | 974   | (13)                                    | (1,430)                      | 7,733                                | (25,708)              | (3,774)                        | 4,228                        | 347                                 | (5,814)           | (23,007)         |
| At 31 December 2025                    | 43,263                      | 20,808  | -                                       | 27,825                       | 18,094                               | 20,915                | (31,163)                       | 35,168                       | (5,010)                             | 4,858             | 134,758          |

At the end of the reporting period, the Group has unused tax losses of RMB240,029,000 (2024: RMB301,270,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB83,659,000 (2024: RMB186,493,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB156,370,000 (2024: RMB114,777,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB156,370,000 (2024: RMB114,777,000) that will expire from 2026 to 2035 (2024: 2025 to 2034).

At the end of the reporting period, the Group has deductible temporary differences of RMB399,267,000 (2024: RMB399,589,000). 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.

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 RMB1,674,673,000 as at 31 December 2025 (2024: RMB1,567,065,000) 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.

# Notes to the Consolidated Financial Statements

## 22 INVENTORIES

|                  | 2025<br>RMB'000   | 2024<br>RMB'000 |
|------------------|-------------------|-----------------|
| Raw materials    | 1,564,534         | 2,937,187       |
| Work in progress | 6,544,234         | 3,647,199       |
| Finished goods   | 345,357           | 185,445         |
| Goods in transit | 7,192,870         | 5,446,035       |
|                  | <b>15,646,995</b> | 12,215,866      |

## 23 TRADE AND BILLS RECEIVABLES

|                                   | 2025<br>RMB'000 | 2024<br>RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Trade receivables                 | 79,493          | 126,637         |
| Less: Allowance for credit losses | (44,365)        | (42,382)        |
|                                   | <b>35,128</b>   | 84,255          |
| Bills receivables                 | 702             | 1,332           |
| Total trade and bills receivables | <b>35,830</b>   | 85,587          |

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.

The following is an ageing analysis of trade and bills 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.

|   | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---|-----------------|-----------------|
| Within 1 year                           | 22,579          | 66,286          |
| More than 1 year, but less than 2 years | 13,250          | 1,245           |
| More than 2 years                       | 1               | 18,056          |
|   | <b>35,830</b>   | 85,587          |

Details of impairment assessment of trade and bills receivables are set out in note 39(b).

# Notes to the Consolidated Financial Statements

## 23 TRADE AND BILLS RECEIVABLES (Continued)

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

|                              | 2025<br>RMB'000 | 2024<br>RMB'000 |
|------------------------------|-----------------|-----------------|
| Trade and bills receivables: |                 |                 |
| Fellow subsidiaries          | 10,293          | 20,894          |
| Daye Group                   | 606             | 18,699          |

The above balances with related parties are unsecured, interest-free and are repayable according to the terms of 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:

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| Denominated in United States dollar ("US\$") | 26,611          | 46,329          |

## 24 OTHER DEPOSITS

|   | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---|-----------------|-----------------|
| Classified under non-current assets:  |                 |                 |
| Deposits for acquisition of property, plant and equipment and intangible assets | 70,123          | 65,514          |
| Deposits for environment rehabilitation (note (a))                              | 800             | 4,019           |
| Deposits for land restoration (note (b))  | 5,728           | 5,663           |
|   | <b>76,651</b>   | 75,196          |
| Classified under current assets:  |                 |                 |
| Margin deposits (note (c))  | 1,162,155       | 531,260         |

Notes:

- (a) The deposits for environment rehabilitation are placed with the PRC government and represent the estimated environment restoration costs.
- (b) The deposits are held in a designated saving account with Finance Company as required by the PRC government which represent the estimated land restoration costs for mining area of a copper mine held by the Group.
- (c) The balances represent deposits in margin accounts with Shanghai Futures Exchange and certain financial institutions as security for commodities derivative instruments (note 26).

# Notes to the Consolidated Financial Statements

## 25 PREPAYMENTS AND OTHER RECEIVABLES

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| Prepayments for inventories                            | 17,291          | 69,414          |
| Value-added tax recoverable                            | 349,684         | 820,547         |
| Amount due from Daye Group                             | 18,323          | 118             |
| Amounts due from fellow subsidiaries                   | 6,292           | 1,937           |
| Other receivables                                      | 122,086         | 166,964         |
|  | <b>513,676</b>  | 1,058,980       |
| Less: Allowance for credit losses on other receivables | <b>(37,618)</b> | (45,027)        |
|  | <b>476,058</b>  | 1,013,953       |

The amounts due from Daye Group and fellow subsidiaries are unsecured, interest-free and recoverable on demand. Details of impairment assessment of other receivables are set out in note 39(b).

## 26 DERIVATIVE FINANCIAL INSTRUMENTS

|                          | Current assets  |                 | Current liabilities |                 |
|--------------------------|-----------------|-----------------|---------------------|-----------------|
|                          | 2025<br>RMB'000 | 2024<br>RMB'000 | 2025<br>RMB'000     | 2024<br>RMB'000 |
| Copper futures contracts | 107,706         | 57,695          | 128,089             | 1,782           |
| Gold futures contracts   | 2,454           | 2,126           | 2,030               | 408             |
| Silver futures contracts | -               | 3,730           | 186,415             | 18,021          |
|                          | <b>110,160</b>  | 63,551          | <b>316,534</b>      | 20,211          |

Major terms of the futures contracts are as follows:

|                                   | At 31 December |                         |          |                         |
|-----------------------------------|----------------|-------------------------|----------|-------------------------|
|                                   | 2025           |                         | 2024     |                         |
|                                   | Quantity       | Contract price<br>(RMB) | Quantity | Contract price<br>(RMB) |
| Copper futures contracts (tonnes) |                |                         |          |                         |
| Buy                               | 69,415         | 71,530 to 102,000       | 15,675   | 74,183 to 74,373        |
| Sell                              | 61,390         | 71,850 to 102,650       | 52,925   | 64,674 to 75,073        |
| Gold futures contracts (kg)       |                |                         |          |                         |
| Buy                               | 359            | 621,420 to 1,016,960    | 158      | 619,064                 |
| Sell                              | -              | -                       | 727      | 615,800 to 626,380      |
| Silver futures contracts (kg)     |                |                         |          |                         |
| Buy                               | 57,885         | 7,535 to 19,535         | 78,645   | 7,791 to 7,852          |
| Sell                              | 497,355        | 7,611 to 19,392         | 100,815  | 7,636 to 8,186          |

# Notes to the Consolidated Financial Statements

## 26 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The Group uses commodity derivative contracts as an economic hedge of its commodity price risk and its exposure to variability in fair value changes attributable to price fluctuation risk associated with certain copper, gold and silver products. Commodity derivative contracts utilised by the Group include standardised copper futures contracts in Shanghai Futures Exchange and other futures exchanges.

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

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

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

The amounts recognised for the derivative financial assets and liabilities in respect of commodity derivative contracts 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 |                | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position |          | Net amounts of financial assets presented in the consolidated statement of financial position |                |
|---|--|----------------|---|----------|---|----------------|
|   | At 31 December                               |                | At 31 December  |          | At 31 December  |                |
|   | 2025   | 2024           | 2025  | 2024     | 2025  | 2024           |
|   | RMB'000                                      | RMB'000        | RMB'000   | RMB'000  | RMB'000   | RMB'000        |
| Deposits in futures margin accounts (note 24) | 1,162,155                                    | 531,260        | -   | -        | 1,162,155   | 531,260        |
| Derivatives in respect of:                    |  |                |   |          |   |                |
| Copper futures contracts                      | 107,706                                      | 57,695         | -   | -        | 107,706   | 57,695         |
| Gold futures contracts                        | 2,454  | 2,126          | -   | -        | 2,454   | 2,126          |
| Silver futures contracts                      | -  | 3,730          | -   | -        | -   | 3,730          |
| <b>Total</b>                                  | <b>1,272,315</b>                             | <b>594,811</b> | <b>-</b>  | <b>-</b> | <b>1,272,315</b>  | <b>594,811</b> |

# Notes to the Consolidated Financial Statements

## 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 derivative financial assets presented in the consolidated statement of financial position |         | Related amounts not set off in the consolidated statement of financial position |          |                        |         |                |         |
|----------------|--|---------|---|----------|------------------------|---------|----------------|---------|
|                |  |         | Derivative financial liabilities  |          | Margin deposits placed |         | Net amount     |         |
|                | At 31 December   |         | At 31 December  |          | At 31 December         |         | At 31 December |         |
|                | 2025   | 2024    | 2025  | 2024     | 2025                   | 2024    | 2025           | 2024    |
| RMB'000        | RMB'000  | RMB'000 | RMB'000   | RMB'000  | RMB'000                | RMB'000 | RMB'000        |         |
| Counterparty A | 83,831   | -       | (118,074)   | (20,180) | 377,198                | 137,990 | 342,955        | 117,810 |
| Counterparty B | -  | 1       | -   | -        | -                      | -       | -              | 1       |
| Counterparty C | 7,564  | -       | (7,564)   | -        | -                      | -       | -              | -       |
| Counterparty D | -  | 6,754   | -   | -        | -                      | -       | -              | 6,754   |
| Counterparty E | 15,569   | 17,839  | (15,569)  | -        | -                      | -       | -              | 17,839  |
| Counterparty F | -  | -       | -   | -        | 1                      | 1       | 1              | 1       |
| Counterparty G | -  | 36,229  | (23,838)  | -        | 681,328                | 347,182 | 657,490        | 383,411 |
| Counterparty H | 3,196  | 2,728   | (37,302)  | (31)     | 103,628                | 46,087  | 69,522         | 48,784  |
| Counterparty I | -  | -       | -   | -        | -                      | -       | -              | -       |
|                | 110,160  | 63,551  | (202,347)   | (20,211) | 1,162,155              | 531,260 | 1,069,968      | 574,600 |

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

|                            | Gross amounts of recognised financial liabilities |         | Gross amounts of recognised financial assets set off in the consolidated statement of financial position |         | Net amounts of financial liabilities presented in the consolidated statement of financial position |         |
|----------------------------|---|---------|--|---------|--|---------|
|                            | At 31 December                                    |         | At 31 December   |         | At 31 December   |         |
|                            | 2025  | 2024    | 2025   | 2024    | 2025   | 2024    |
|                            | RMB'000   | RMB'000 | RMB'000  | RMB'000 | RMB'000  | RMB'000 |
| Derivatives in respect of: |   |         |  |         |  |         |
| Copper futures contracts   | 128,089   | 1,782   | -  | -       | 128,089  | 1,782   |
| Gold futures contracts     | 2,030   | 408     | -  | -       | 2,030  | 408     |
| Silver futures contracts   | 186,415   | 18,021  | -  | -       | 186,415  | 18,021  |
| Total                      | 316,534   | 20,211  | -  | -       | 316,534  | 20,211  |

# Notes to the Consolidated Financial Statements

## 26 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

|                | Net amounts of derivative financial liabilities presented in the consolidated statement of financial position |         | Related amounts not set off in the consolidated statement of financial position |         |                        |          |            |         |
|----------------|---|---------|---|---------|------------------------|----------|------------|---------|
|                | At 31 December  |         | Derivative financial assets   |         | Margin deposits placed |          | Net amount |         |
|                | 2025  | 2024    | 2025  | 2024    | 2025                   | 2024     | 2025       | 2024    |
|                | RMB'000   | RMB'000 | RMB'000   | RMB'000 | RMB'000                | RMB'000  | RMB'000    | RMB'000 |
| Counterparty A | 118,074   | 20,180  | -   | -       | (118,074)              | (20,180) | -          | -       |
| Counterparty B | -   | -       | -   | -       | -                      | -        | -          | -       |
| Counterparty C | 24,397  | -       | (7,564)   | -       | -                      | -        | 16,833     | -       |
| Counterparty D | 28,833  | -       | -   | -       | -                      | -        | 28,833     | -       |
| Counterparty E | 47,396  | -       | (15,569)  | -       | -                      | -        | 31,827     | -       |
| Counterparty F | -   | -       | -   | -       | -                      | -        | -          | -       |
| Counterparty G | 23,838  | -       | -   | -       | (23,838)               | -        | -          | -       |
| Counterparty H | 37,302  | 31      | -   | -       | (37,302)               | (31)     | -          | -       |
| Counterparty I | 36,694  | -       | -   | -       | -                      | -        | 36,694     | -       |
|                | 316,534   | 20,211  | (23,133)  | -       | (179,214)              | (20,211) | 114,187    | -       |

## 27 RESTRICTED BANK DEPOSITS AND CASH, DEPOSITS AND BANK BALANCES

### Restricted bank deposits

|                                 | 2025    | 2024    |
|---------------------------------|---------|---------|
|                                 | RMB'000 | RMB'000 |
| Classified under current assets | 4,189   | 3,219   |

As at 31 December 2025, bank balances that are placed in restricted bank accounts in accordance with the applicable government regulations can only be applied in the designated projects. The balances carry interest at an interest rate of 0.05% (2024: 0.1%) per annum.

### Cash, deposits and bank balances

Included in cash, deposits and bank balances as at 31 December 2025 was an amount of approximately RMB1,863,921,000 (2024: RMB1,502,910,000) placed with Finance Company as saving deposits, which bear interest at rate at 0.25% (2024: ranging from 0.35% to 1.32%) per annum and repayable on demand. The remaining bank balances carry interest at rates ranging from 0.01% to 0.10% (2024: 0.01% to 0.20%) per annum.

# Notes to the Consolidated Financial Statements

## 27 RESTRICTED BANK DEPOSITS AND CASH, DEPOSITS AND BANK BALANCES (Continued)

### Cash, deposits and bank balances (Continued)

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

|                     | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---------------------|-----------------|-----------------|
| Denominated in US\$ | 28,360          | 201,804         |
| Denominated in HK\$ | 11,205          | 18,317          |

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 39(b).

## 28 TRADE PAYABLES

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

|  | 2025<br>RMB'000  | 2024<br>RMB'000 |
|--|------------------|-----------------|
| Within 1 year                            | 5,633,225        | 2,440,717       |
| More than 1 year, but less than 2 years  | 49,024           | 12,958          |
| More than 2 years, but less than 3 years | 782              | 1,215           |
| Over 3 years                             | 1,430            | 1,969           |
|  | <b>5,684,461</b> | 2,456,859       |

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.

Included in the Group's trade payables are payables to fellow subsidiaries of approximately RMB111,783,000 (2024: RMB389,576,000). The payables to fellow subsidiaries are unsecured, interest-free and are repayable within one year according to the terms of the respective purchase contracts.

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

|                     | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---------------------|-----------------|-----------------|
| Denominated in US\$ | 4,981,509       | 2,092,901       |

# Notes to the Consolidated Financial Statements

## 29 OTHER PAYABLES AND ACCRUED EXPENSES

|   | 2025<br>RMB'000  | 2024<br>RMB'000 |
|---|------------------|-----------------|
| Classified under current liabilities:   |                  |                 |
| Salaries and welfare payables   | 255,096          | 254,819         |
| Current portion of deferred income (note 35)                                    | 17,492           | 15,882          |
| Payables for purchase of property, plant and equipment (note (a))               | 600,023          | 810,530         |
| Amounts due to Daye Group (note (b))  | 33,676           | 33,861          |
| Land restoration costs payable to a fellow subsidiary                           | 61,806           | 65,225          |
| Payables for mining rights  | 19,343           | 18,773          |
| Value-added tax payables  | 101,085          | 53,782          |
| Other payables and accruals   | 156,281          | 169,945         |
| Other deposits received   | 48,608           | 58,945          |
|   | <b>1,293,410</b> | 1,481,762       |
| Balances repayable after one year and classified under non-current liabilities: |                  |                 |
| Payables for mining rights  | 40,470           | 59,813          |
| Payables for purchase of property, plant and equipment (note (a))               | 323,921          | 315,226         |
|   | <b>364,391</b>   | 375,039         |

Notes:

- (a) Included in payables for purchase of property, plant and equipment are payables to fellow subsidiaries of approximately RMB316,921,000 (2024: RMB669,935,000) in relation to the construction work conducted by these fellow subsidiaries. All of the payables to a fellow subsidiary are unsecured and repayable in accordance with the terms of the relevant construction contracts. Except for the payable to a fellow subsidiary of approximately RMB238,150,000 (2024: RMB238,150,000) is interest-bearing at 3.65% (2024: 3.65%) per annum, the remaining payables is interest-free.
- (b) The amount due to Daye Group is unsecured, interest-free and repayable on demand.

## 30 CONTRACT LIABILITIES

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| Contract liabilities in respect of sales of goods at 31 December   | 120,451         | 218,834         |
| Revenue recognised during the year in respect of sales of goods that was included in the contract liabilities at the beginning of year | 218,834         | 77,458          |

As at 1 January 2024, contract liabilities amounted to RMB77,458,000.

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 deposits received from customers in relation to the sales of goods.

# Notes to the Consolidated Financial Statements

## 31 BANK AND OTHER BORROWINGS

|  | 2025<br>RMB'000   | 2024<br>RMB'000 |
|--|-------------------|-----------------|
| Bank borrowings:                             |                   |                 |
| Unsecured                                    | <b>12,999,949</b> | 12,591,655      |
| Other borrowings:                            |                   |                 |
| Loans from Daye Group, unsecured (note)      | <b>723,754</b>    | 596,718         |
| Loans from Finance Company, unsecured (note) | <b>496,296</b>    | 300,188         |
| Gold loans, unsecured                        | <b>837,491</b>    | 1,541,793       |
|  | <b>15,057,490</b> | 15,030,354      |

|   | 2025<br>RMB'000    | 2024<br>RMB'000 |
|---|--------------------|-----------------|
| Bank borrowings repayable*:                                       |                    |                 |
| Within one year   | <b>5,306,779</b>   | 6,280,954       |
| More than one year, but not exceeding two years                   | <b>3,649,900</b>   | 1,802,855       |
| More than two years, but not exceeding five years                 | <b>4,043,270</b>   | 4,507,846       |
|   | <b>12,999,949</b>  | 12,591,655      |
| Other borrowings repayable*:                                      |                    |                 |
| Within one year   | <b>1,515,325</b>   | 1,850,029       |
| More than one year, but not exceeding two years                   | <b>146,000</b>     | 197,000         |
| More than two years, but not exceeding five years                 | <b>396,216</b>     | 391,670         |
|   | <b>2,057,541</b>   | 2,438,699       |
| Total bank and other borrowings                                   | <b>15,057,490</b>  | 15,030,354      |
| Less: Amounts due within one year shown under current liabilities | <b>(6,822,104)</b> | (8,130,983)     |
| Amount shown under non-current liabilities                        | <b>8,235,386</b>   | 6,899,371       |

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

|   | 2025<br>RMB'000   | 2024<br>RMB'000 |
|---|-------------------|-----------------|
| Fixed-rate bank and other borrowings    | <b>7,990,635</b>  | 6,670,341       |
| Variable-rate bank and other borrowings | <b>7,066,855</b>  | 8,360,013       |
|   | <b>15,057,490</b> | 15,030,354      |

# Notes to the Consolidated Financial Statements

## 31 BANK AND OTHER BORROWINGS (Continued)

|  | 2025                | 2024         |
|--|---------------------|--------------|
| Effective interest rate: (per annum)                 |                     |              |
| Fixed-rate bank and other borrowings                 | <b>0.8% to 3.2%</b> | 1.2% to 4.2% |
| Variable-rate bank and other borrowings <sup>#</sup> | <b>1.3% to 3.9%</b> | 2.1% to 3.9% |

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

Note: The details of unsecured loans from Daye Group and Finance Company are as follows:

| Interest rate                | Terms of repayment  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|------------------------------|---|-----------------|-----------------|
| <b>Daye Group</b>            |   |                 |                 |
| Fixed rate:                  |   |                 |                 |
| At 4.85% per annum           | Repayable on 31 July 2025   | –               | 77,245          |
| At 4.75% per annum           | Repayable on 29 August 2021   | –               | 1,213           |
| At 3.65% per annum           | Repayable on 30 December 2025*  | <b>456,000</b>  | 330,665         |
| At 3.7% per annum            | Repayable on 17 March 2023*   | <b>93,376</b>   | 93,386          |
| At 4.6% per annum            | Repayable on 24 September 2023*   | <b>94,198</b>   | 94,209          |
| At 4.75% per annum           | Repayable on 7 April 2027   | <b>80,180</b>   | –               |
|                              |   | <b>723,754</b>  | 596,718         |
| <b>Finance Company</b>       |   |                 |                 |
| Floating rate:               |   |                 |                 |
| From 2.25% to 2.6% per annum | Repayable on 21 November 2025   | –               | 103,188         |
| From 2.25% to 2.5% per annum | Repayable on 18 March 2026 to 17 September 2026<br>(2024: Repayable on 17 September 2026) | <b>298,178</b>  | 149,000         |
| From 2.25% to 2.5% per annum | Repayable on 27 February 2026 to 28 August 2026   | <b>48,029</b>   | 48,000          |
| From 2.15% to 2.5% per annum | Repayable on 11 June 2026 to 23 November 2027   | <b>100,060</b>  | –               |
| From 2.15% to 2.5% per annum | Repayable on 18 March 2026 to 10 December 2027  | <b>50,029</b>   | –               |
|                              |   | <b>496,296</b>  | 300,188         |

\* The loans were matured and not repaid by the Group as at 31 December 2025.

# Notes to the Consolidated Financial Statements

## 31 BANK AND OTHER BORROWINGS (Continued)

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

|                     | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---------------------|-----------------|-----------------|
| Denominated in US\$ | 14              | 375             |

As at 31 December 2025, the Group had approximately RMB27,782,935,000 (2024: RMB23,365,559,000) of available undrawn facilities.

As at 31 December 2025, the Group's bank borrowings with carrying amount of approximately RMB2,830,400,000 (2024: RMB4,243,500,000) 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 39(b). As at 31 December 2025 and 2024, none of the covenants relating to drawn down facilities had been breached.

## 32 LEASE LIABILITIES

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| <b>Lease liabilities payable:</b>  |                 |                 |
| Within one year  | 15,425          | 5,779           |
| Within a period of more than one year but not more than two years              | 16,008          | 6,062           |
| Within a period of more than two years but not more than five years            | 32,386          | 27,366          |
| Within a period of more than five years  | 76,852          | 84,552          |
|  | <b>140,671</b>  | 123,759         |
| Less: Amount due for settlement with 12 months shown under current liabilities | <b>(15,425)</b> | (5,779)         |
| Amount due for settlement after 12 months shown under non-current liabilities  | <b>125,246</b>  | 117,980         |

The weighted average incremental borrowing rate applied to lease liabilities was 4.9% (2024: 4.9%) per annum.

As at 31 December 2025, lease liabilities of RMB30,931,000 are recognised with related right-of-use assets of RMB30,931,000 (2024: lease liabilities of RMBnil and related right-of-use assets of RMBnil). 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.

# Notes to the Consolidated Financial Statements

## 33 PROVISION FOR MINE REHABILITATION, RESTORATION AND DISMANTLING

|   | RMB'000 |
|---|---------|
| As at 1 January 2024                              | 94,529  |
| Additional provision                              | 3,160   |
| Interest cost charged to profit or loss (note 10) | 2,212   |
| As at 31 December 2024 and 1 January 2025         | 99,901  |
| Additional provision                              | 26,639  |
| Interest cost charged to profit or loss (note 10) | 2,687   |
| As at 31 December 2025                            | 129,227 |

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. The provision also includes future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification, and permanent storage of historical residues. The discount rate used in determining this provision is 3% (2024: 3%) per annum.

## 34 PROMISSORY NOTE

|  | Principal amount<br>RMB'000 | Interest accrued<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------------------|-----------------------------|------------------|
| At 1 January 2024                            | 891,537                     | 289,011                     | 1,180,548        |
| Interest charged to profit or loss (note 10) | –                           | 42,464                      | 42,464           |
| At 31 December 2024 and 1 January 2025       | 891,537                     | 331,475                     | 1,223,012        |
| Interest charged to profit or loss (note 10) | –                           | 42,348                      | 42,348           |
| At 31 December 2025                          | 891,537                     | 373,823                     | 1,265,360        |

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 shall be paid either in full or by installments no later than 7 March 2027. The interest payable under the Promissory Note accrues at the rate of 4.75% per annum on the outstanding principal amount. During the year, the promissory note was transferred from China Times to DNMG.

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 Stock Exchange.

# Notes to the Consolidated Financial Statements

## 35 DEFERRED INCOME

|   | RMB'000        |                |
|---|----------------|----------------|
| As at 1 January 2024                      |                | 139,908        |
| Government grants obtained                |                | 7,000          |
| Credited to profit or loss (note 7)       |                | (15,613)       |
| As at 31 December 2024 and 1 January 2025 |                | 131,295        |
| Government grants obtained                |                | 15,359         |
| Credited to profit or loss (note 7)       |                | (16,078)       |
| As at 31 December 2025                    |                | 130,576        |
|   | <b>2025</b>    | <b>2024</b>    |
|   | <b>RMB'000</b> | <b>RMB'000</b> |
| Analysed as:                              |                |                |
| Current (note 29)                         | <b>17,492</b>  | 15,882         |
| Non-current                               | <b>113,084</b> | 115,413        |
|   | <b>130,576</b> | 131,295        |

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.

## 36 EARLY RETIREMENT OBLIGATIONS

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 movement of the early retirement obligations is set out as below:

|   | RMB'000 |          |
|---|---------|----------|
| As at 1 January 2024                              |         | 39,980   |
| Interest cost charged to profit or loss (note 10) |         | 740      |
| Recognised during the year                        |         | 9,510    |
| Benefits paid                                     |         | (13,180) |
| As at 31 December 2024 and 1 January 2025         |         | 37,050   |
| Interest cost charged to profit or loss (note 10) |         | 320      |
| Reversed during the year                          |         | (1,610)  |
| Benefits paid                                     |         | (10,110) |
| As at 31 December 2025                            |         | 25,650   |

# Notes to the Consolidated Financial Statements

## 36 EARLY RETIREMENT OBLIGATIONS (Continued)

|              | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--------------|-----------------|-----------------|
| Analysed as: |                 |                 |
| Current      | 7,900           | 10,650          |
| Non-current  | 17,750          | 26,400          |
|              | <b>25,650</b>   | 37,050          |

## 37 SHARE CAPITAL

### Ordinary share capital of the Company

|   | Number of<br>shares | Amount<br>HK\$'000 |
|---|---------------------|--------------------|
| Ordinary shares of HK\$0.05 each  |                     |                    |
| Authorised:   |                     |                    |
| At 1 January 2024, 31 December 2024, 1 January 2025 and<br>31 December 2025 | 30,000,000,000      | 1,500,000          |
|   |                     | RMB'000            |
| Issued and fully paid:  |                     |                    |
| At 1 January 2024, 31 December 2024, 1 January 2025 and<br>31 December 2025 | 17,895,579,706      | 727,893            |

There was no movement in the Company's share capital for the years ended 31 December 2025 and 2024.

# Notes to the Consolidated Financial Statements

## 38 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 from prior year.

The capital structure of the Group consists of net debts (which includes bank and other borrowings, lease liabilities and promissory note, net of restricted bank 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 | 2025<br>RMB'000    | 2024<br>RMB'000 |
|---|-------|--------------------|-----------------|
| Debts   | (i)   | <b>16,463,521</b>  | 16,377,125      |
| Less: Restricted bank deposits and cash, deposits and bank balances |       | <b>(1,921,950)</b> | (1,535,250)     |
| Net debts   |       | <b>14,541,571</b>  | 14,841,875      |
| Equity attributable to owners of the Company                        | (ii)  | <b>3,137,159</b>   | 3,083,611       |
| Net debts to equity ratio   |       | <b>463.53%</b>     | 481.31%         |

Notes:

- (i) Debts comprise bank and other borrowings, lease liabilities and promissory note as detailed in notes 31, 32 and 34, respectively.
- (ii) Equity includes share capital, share premium and all other reserves attributable to owners of the Company.

# Notes to the Consolidated Financial Statements

## 39 FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

|   | 2025<br>RMB'000   | 2024<br>RMB'000 |
|---|-------------------|-----------------|
| <b>Financial assets</b>                 |                   |                 |
| Financial assets at amortised cost      | <b>3,229,018</b>  | 2,276,089       |
| Financial asset at FVTPL:               |                   |                 |
| Derivative financial instruments        | <b>110,160</b>    | 63,551          |
| <b>Financial liabilities</b>            |                   |                 |
| Financial liabilities at amortised cost | <b>23,546,535</b> | 20,497,362      |
| Financial liabilities at FVTPL:         |                   |                 |
| Derivative financial instruments        | <b>316,534</b>    | 20,211          |

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

The Group's major financial instruments include trade and bills receivables, other deposits, other receivables, restricted bank deposits, cash, deposits and bank balances, trade payables, other payables, bank and other borrowings, 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 management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in 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.

# Notes to the Consolidated Financial Statements

## 39 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:

|   | 2025<br>(Decrease)/<br>increase in<br>profit after tax<br>RMB'000 | 2024<br>Increase/<br>(decrease) in<br>profit after tax<br>RMB'000 |
|---|---|---|
| The prices of the commodity derivative contracts: |   |   |
| Increased by 10%                                  | (15,478)  | 3,251   |
| Decreased by 10%                                  | 15,478  | (3,251)   |

#### *Interest rate risk*

The Group is exposed to interest rate risk on deposits, bank balances, lease liabilities, interest-bearing other payables, bank and other borrowings and promissory note. Deposits, bank balances and bank and other borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits, bank balances, lease liabilities, interest-bearing other payables, promissory note and bank and other borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's margin deposits, restricted bank deposits/cash, deposits and bank balances, bank and other borrowings, lease liabilities and promissory note have been disclosed in notes 24, 27, 31, 32 and 34, 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 variable-rate bank and other borrowings:

|  | 2025   |  | 2024   |  |
|--|--|--|--|--|
|  | +100 basis<br>points<br>(Decrease)/<br>increase<br>in profit<br>after tax<br>RMB'000 | -100 basis<br>points<br>(Decrease)/<br>increase<br>in profit<br>after tax<br>RMB'000 | +100 basis<br>points<br>(Decrease)/<br>increase<br>in profit<br>after tax<br>RMB'000 | -100 basis<br>points<br>(Decrease)/<br>increase<br>in profit<br>after tax<br>RMB'000 |
| Financial liabilities:                     |  |  |  |  |
| Variable-rate bank and other<br>borrowings | (53,001)   | 53,001   | (62,700)   | 62,700   |

# Notes to the Consolidated Financial Statements

## 39 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.

|                            | 2025<br>(Decrease)/<br>increase in<br>profit after tax<br>RMB'000 | 2024<br>(Decrease)/<br>increase in<br>profit after tax<br>RMB'000 |
|----------------------------|---|---|
| RMB – US\$                 |   |   |
| Appreciation of US\$ by 5% | <b>(184,746)</b>  | (69,193)  |
| Depreciation of US\$ by 5% | <b>184,746</b>  | 69,193  |

#### *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 2025, 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, amounts due from Daye Group and fellow subsidiaries, restricted bank 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.

# Notes to the Consolidated Financial Statements

## 39 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 this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For trade receivables, the Group has assessed collectively 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.

During the year ended 31 December 2025, the Group recognised impairment losses of approximately RMB3,684,000 (2024: RMB987,000) for trade receivables measured at amortised cost 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, restricted bank deposits, and cash, deposits and bank balances as detailed in notes 24 and 27 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 and other deposits, 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. 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.

Management considered amounts due from fellow subsidiaries and 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.

The Group had concentration of credit risk as 27% (2024: 33%) and 85% (2024: 99%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors, respectively.

Apart from the above, the Group does not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

# Notes to the Consolidated Financial Statements

## 39 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 at amortised cost, which are subject to ECL.

|  | Internal credit rating | 12-month or lifetime ECL           | Gross carrying amount |                 |
|--|------------------------|------------------------------------|-----------------------|-----------------|
|  |                        |                                    | 2025<br>RMB'000       | 2024<br>RMB'000 |
| Trade receivables (note 23)                    | Low risk               | Lifetime ECL – not credit-impaired | <b>21,877</b>         | 64,954          |
|  | Doubtful               | Lifetime ECL – not credit-impaired | <b>13,251</b>         | 19,301          |
|  | Loss                   | Lifetime ECL – credit-impaired     | <b>44,365</b>         | 42,382          |
| Bills receivables (note 23)                    | Low risk               | 12-month ECL                       | <b>702</b>            | 1,332           |
| Other receivables (note 25)                    | Low risk               | 12-month ECL                       | <b>82,687</b>         | 77,404          |
|  | Doubtful               | Lifetime ECL – not credit-impaired | <b>1,781</b>          | 44,533          |
|  | Loss                   | Lifetime ECL – credit-impaired     | <b>37,618</b>         | 45,027          |
| Amount due from Daye Group (note 25)           | Low risk               | 12-month ECL                       | <b>18,323</b>         | 118             |
| Amounts due from fellow subsidiaries (note 25) | Low risk               | 12-month ECL                       | <b>6,292</b>          | 1,937           |
| Restricted bank deposits (note 27)             | Low risk               | 12-month ECL                       | <b>4,189</b>          | 3,219           |
| Other deposits (note 24)                       | Low risk               | 12-month ECL                       | <b>1,162,155</b>      | 531,260         |
| Cash, deposits and bank balances (note 27)     | Low risk               | 12-month ECL                       | <b>1,917,761</b>      | 1,532,031       |

# Notes to the Consolidated Financial Statements

## 39 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<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime-ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--|--|--|------------------|
| At 1 January 2024                      | –  | 40,984   | 40,984           |
| Impairment losses recognised           | –  | 987  | 987              |
| Exchange adjustments                   | –  | 411  | 411              |
| At 31 December 2024 and 1 January 2025 | –  | 42,382   | 42,382           |
| Impairment losses recognised           | –  | 3,684  | 3,684            |
| Exchange adjustments                   | –  | (261)  | (261)            |
| Written off                            | –  | (1,440)  | (1,440)          |
| At 31 December 2025                    | –  | <b>44,365</b>                                    | <b>44,365</b>    |

The following table shows the movement in ECL that has been recognised for other receivables measured at amortised cost.

|  | 12-month ECL<br>RMB'000 | Lifetime-ECL<br>(not credit-<br>impaired)<br>RMB'000 | Lifetime-ECL<br>(credit-<br>impaired)<br>RMB'000 | Total<br>RMB'000 |
|--|-------------------------|--|--|------------------|
| As at 1 January 2024                         | –                       | –  | 44,485   | 44,485           |
| Impairment losses                            | –                       | –  | 738  | 738              |
| Exchange adjustments                         | –                       | –  | (186)  | (186)            |
| Written off                                  | –                       | –  | (10)   | (10)             |
| As at 31 December 2024 and<br>1 January 2025 | –                       | –  | 45,027   | 45,027           |
| Reversal of impairment losses                | –                       | –  | (3)  | (3)              |
| Exchange adjustments                         | –                       | –  | 164  | 164              |
| Written off                                  | –                       | –  | (7,570)  | (7,570)          |
| As at 31 December 2025                       | –                       | –  | <b>37,618</b>                                    | <b>37,618</b>    |

During the year ended 31 December 2025, the Group recognised a reversal of impairment allowance of approximately RMB3,000 (2024: an impairment loss of RMB738,000) for other receivables, which was made based on the individual assessment.

# Notes to the Consolidated Financial Statements

## 39 FINANCIAL INSTRUMENTS (Continued)

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

#### *Liquidity risk*

The Group's treasury department monitors the Group's cash flow positions on a regular basis to ensure the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

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 outflows for the years ended 31 December 2025 and 2024.

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 2025. 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.

# Notes to the Consolidated Financial Statements

## 39 FINANCIAL INSTRUMENTS (Continued)

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

#### Liquidity risk (Continued)

##### Liquidity tables

|  | Weighted average 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 2025                          |                                  |  |                      |                      |                           |                                       |                          |
| <b>Non-derivative financial liabilities:</b> |                                  |  |                      |                      |                           |                                       |                          |
| Trade payables                               | -                                | 5,684,461                              | -                    | -                    | -                         | 5,684,461                             | 5,684,461                |
| Other payables                               | 0.57                             | 1,174,833                              | 343,147              | 35,206               | -                         | 1,553,186                             | 1,539,224                |
| Bank and other borrowings                    | 2.61                             | 7,115,146                              | 4,004,675            | 4,506,751            | -                         | 15,626,572                            | 15,057,490               |
| Promissory note                              | 4.75                             | -                                      | -                    | 1,270,003            | -                         | 1,270,003                             | 1,265,360                |
|  |                                  | 13,974,440                             | 4,347,822            | 5,811,960            | -                         | 24,134,222                            | 23,546,535               |
| Lease liabilities                            | 4.90                             | 20,643                                 | 33,973               | 33,262               | 85,581                    | 173,459                               | 140,671                  |
| Derivatives – net settlement                 |                                  | 316,534                                | -                    | -                    | -                         | 316,534                               | 316,534                  |

|  | Weighted average 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 2024                          |                                  |  |                      |                      |                           |                                       |                          |
| <b>Non-derivative financial liabilities:</b> |                                  |  |                      |                      |                           |                                       |                          |
| Trade payables                               | -                                | 2,456,859                              | -                    | -                    | -                         | 2,456,859                             | 2,456,859                |
| Other payables                               | 0.49                             | 1,412,098                              | 59,813               | 332,611              | -                         | 1,804,522                             | 1,787,137                |
| Bank and other borrowings                    | 2.91                             | 7,895,486                              | 2,598,472            | 5,060,229            | -                         | 15,554,187                            | 15,030,354               |
| Promissory note                              | 4.75                             | -                                      | -                    | 1,315,133            | -                         | 1,315,133                             | 1,223,012                |
|  |                                  | 11,764,443                             | 2,658,285            | 6,707,973            | -                         | 21,130,701                            | 20,497,362               |
| Lease liabilities                            | 4.90                             | 12,754                                 | 25,508               | 38,263               | 114,788                   | 191,313                               | 123,759                  |
| Derivatives – net settlement                 |                                  | 20,211                                 | -                    | -                    | -                         | 20,211                                | 20,211                   |

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.

# Notes to the Consolidated Financial Statements

## 39 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<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|------------------------------|--------------------|--------------------|--------------------|------------------|
| At 31 December 2025          |                    |                    |                    |                  |
| <i>Financial assets</i>      |                    |                    |                    |                  |
| Commodity future contracts   | –                  | 110,160            | –                  | 110,160          |
| <i>Financial liabilities</i> |                    |                    |                    |                  |
| Commodity future contracts   | –                  | 316,534            | –                  | 316,534          |
| At 31 December 2024          |                    |                    |                    |                  |
| <i>Financial assets</i>      |                    |                    |                    |                  |
| Commodity future contracts   | –                  | 63,551             | –                  | 63,551           |
| <i>Financial liabilities</i> |                    |                    |                    |                  |
| Commodity future contracts   | –                  | 20,211             | –                  | 20,211           |

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

|                           |             | Fair value<br>As at 31 December |                 | Fair value<br>hierarchy | Valuation<br>technique |
|---------------------------|-------------|---------------------------------|-----------------|-------------------------|------------------------|
|                           |             | 2025<br>RMB'000                 | 2024<br>RMB'000 |                         |                        |
| Copper futures contracts: | Assets      | 107,706                         | 57,695          | Level 2                 | Note 1                 |
|                           | Liabilities | 128,089                         | 1,782           | Level 2                 | Note 1                 |
| Gold futures contracts:   | Assets      | 2,454                           | 2,126           | Level 2                 | Note 1                 |
|                           | Liabilities | 2,030                           | 408             | Level 2                 | Note 1                 |
| Silver futures contracts: | Assets      | –                               | 3,730           | Level 2                 | Note 1                 |
|                           | Liabilities | 186,415                         | 18,021          | Level 2                 | Note 1                 |

Notes:

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

There were no transfers between Level 1 and 2 for the years ended 31 December 2025 and 2024, 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.

# Notes to the Consolidated Financial Statements

## 40 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

|  | Bank and other borrowings<br>RMB'000 | Lease liabilities<br>RMB'000 | Promissory note<br>RMB'000 | Amounts due to Daye Group under other payables<br>RMB'000 | Total<br>RMB'000  |
|--|--------------------------------------|------------------------------|----------------------------|---|-------------------|
| At 1 January 2024  | 14,366,382                           | 128,610                      | 1,180,548                  | 41,783  | 15,717,323        |
| Financing cash flows                                     | 205,844                              | –                            | –                          | (7,922)   | 197,922           |
| Settled through current account balances with Daye Group | –                                    | (11,087)                     | –                          | –   | (11,087)          |
| Interest expenses  | 458,128                              | 6,236                        | 42,464                     | –   | 506,828           |
| At 31 December 2024 and 1 January 2025                   | 15,030,354                           | 123,759                      | 1,223,012                  | 33,861  | 16,410,986        |
| Financing cash flows                                     | (384,136)                            | –                            | –                          | (185)   | (384,321)         |
| New leases entered                                       | –                                    | 30,931                       | –                          | –   | 30,931            |
| Settled through current account balances with Daye Group | –                                    | (20,672)                     | –                          | –   | (20,672)          |
| Interest expenses  | 411,272                              | 6,653                        | 42,348                     | –   | 460,273           |
| At 31 December 2025                                      | <b>15,057,490</b>                    | <b>140,671</b>               | <b>1,265,360</b>           | <b>33,676</b>   | <b>16,497,197</b> |

# Notes to the Consolidated Financial Statements

## 41 CAPITAL COMMITMENTS

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment | <b>871,928</b>  | 548,411         |

## 42 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.

| Nature of balances/transactions     | Notes | Relationship         | 2025<br>RMB'000   | 2024<br>RMB'000 |
|-------------------------------------|-------|----------------------|-------------------|-----------------|
| <b>Income:</b>                      |       |                      |                   |                 |
| Sales of non-ferrous metals         | (i)   | Daye Group*          | <b>12,470,108</b> | 14,357,008      |
|                                     | (i)   | Fellow subsidiaries* | <b>7,079</b>      | –               |
| Sales of other materials            | (i)   | Daye Group*          | <b>172,839</b>    | 38,083          |
|                                     | (i)   | Fellow subsidiaries  | <b>2,502</b>      | 763             |
| Rendering of services               | (i)   | Daye Group*          | <b>2,597</b>      | 3,088           |
|                                     | (i)   | Fellow subsidiaries* | <b>65,330</b>     | 15,998          |
| Interest income                     | (ii)  | Finance Company*     | <b>10,965</b>     | 9,126           |
| Rental income for leasing of assets | (iii) | Daye Group*          | <b>53</b>         | 2,160           |
| Rental income for leasing of lands  | (iii) | Daye Group           | <b>826</b>        | 826             |

# Notes to the Consolidated Financial Statements

## 42 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)

| Nature of balances/transactions       | Notes | Relationship         | 2025<br>RMB'000 | 2024<br>RMB'000 |
|---------------------------------------|-------|----------------------|-----------------|-----------------|
| <b>Expenses:</b>                      |       |                      |                 |                 |
| Transportation fees                   | (i)   | Daye Group*          | <b>76,711</b>   | 104,830         |
| Utilities fees                        | (i)   | Daye Group*          | <b>44,663</b>   | 282,512         |
| Purchases of non-ferrous metals       | (i)   | Daye Group*          | <b>25,614</b>   | 268,803         |
|                                       | (i)   | Fellow subsidiaries* | <b>822,243</b>  | 970,079         |
| Purchase of other products            | (i)   | Daye Group*          | <b>75,912</b>   | 87,181          |
|                                       | (i)   | Fellow subsidiaries* | <b>6,427</b>    | 6,799           |
| Other service expense                 | (i)   | Daye Group*          | <b>137,975</b>  | 104,109         |
|                                       | (i)   | Fellow subsidiaries* | <b>18,577</b>   | 9,212           |
| Financial service fee paid            | (i)   | Finance Company*     | –               | 31              |
| Rental expense for leasing of lands   | (iii) | Daye Group*          | <b>14,993</b>   | 12,634          |
| Rental expense for leasing of assets  | (iii) | Daye Group*          | <b>3,439</b>    | 4,820           |
| Interest expense                      | (iv)  | Daye Group           | <b>38,850</b>   | 35,583          |
|                                       | (iv)  | Finance Company      | <b>8,836</b>    | 4,198           |
|                                       | (v)   | China Times          | <b>35,271</b>   | 42,464          |
| Interest expense on lease liabilities | (vi)  | Daye Group           | <b>6,653</b>    | 6,236           |
| <b>Capital expenditures:</b>          |       |                      |                 |                 |
| Construction contract fees            | (i)   | Daye Group*          | <b>59,183</b>   | 34,268          |
|                                       | (i)   | Fellow subsidiaries* | <b>39,474</b>   | 181,293         |
| Other service fees                    | (i)   | Fellow subsidiaries* | <b>65,712</b>   | 35,164          |
| <b>Liabilities:</b>                   |       |                      |                 |                 |
| Lease liabilities <sup>#</sup>        | (vi)  | Daye Group           | <b>140,671</b>  | 123,758         |

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

<sup>#</sup> At the commencement date of the lease, the Group recognised right-of-use assets and lease liabilities of RMB30,931,000 (2024: RMBnil) during the year ended 31 December 2025 (see Note 40).

# Notes to the Consolidated Financial Statements

## 42 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, where 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 24 and 27, respectively.
- (iii) These transactions were conducted in accordance with the terms of the relevant agreements, in which the rent of the leased land/assets was determined by reference to the amortisation/depreciation of the relevant land/assets.
- (iv) The interest expense arose from unsecured loans from Daye Group, Finance Company and a fellow subsidiary. Further details are set out in note 31.
- (v) The interest expense arose from promissory note from China Times. Further details of the promissory note are set out in note 34.
- (vi) During the year, lease payments of approximately RMB20,672,000 (2024: RMB11,087,000) payable to Daye Group was settled through the current account balances of Daye Group.

### Transactions with other 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 (who are also top executives of the Company). Further details of directors' emoluments are included in note 13.

## 43 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 Group contributed an aggregate amount of RMB103,500,000 (2024: RMB128,959,000) to the above retirement benefit scheme during the year ended 31 December 2025.

# Notes to the Consolidated Financial Statements

## 44 DETAILS OF SUBSIDIARIES

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

| Name of subsidiary   | Place of establishment and place of business | Registered capital                       | Proportion of ownership interest held by the Company |        | Proportion of voting power held by the Company |        | Principal activities  |
|--|--|--|--|--------|--|--------|---|
|  |  |  | At 31 December 2025                                  | 2024   | At 31 December 2025                            | 2024   |   |
| 大冶有色設計研究院有限公司 (Daye Non-ferrous Design and Research Institute Company Limited*)<br>(Notes (b) and (c))       | PRC/PRC                                      | RMB96,315,000<br>(2024:<br>RMB6,800,000) | <b>95.35%</b>  | 95.35% | <b>95.35%</b>                                  | 95.35% | Research and development  |
| 大冶有色金屬有限責任公司<br>(Daye Non-ferrous Metals Co., Ltd.*)<br>("Hubei Daye") (Notes (a) and (d))                   | PRC/PRC                                      | RMB1,490,977,877                         | <b>95.35%</b>  | 95.35% | <b>95.35%</b>                                  | 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*)<br>("Yangxin Hongsheng") (Notes (b) and (c)) | PRC/PRC                                      | RMB2,500,000,000                         | <b>49.58%</b>  | 49.58% | <b>52.00%</b>                                  | 52.00% | Smelting and processing of non-ferrous metals, gold and silver products and trading of non-ferrous metals |
| 新疆匯祥永金礦業有限公司<br>(Xinjiang Hui Xiang Yong Jin Mining Co., Ltd*)<br>("Hui Xiang") (Notes (a) and (d))          | PRC/PRC                                      | RMB226,000,000                           | <b>55.00%</b>  | 55.00% | <b>55.00%</b>                                  | 55.00% | Mineral and processing of mineral ores  |

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

Notes:

- (a) This subsidiary is directly held by the Company.
- (b) These subsidiaries are indirectly held by the Company.
- (c) These subsidiaries are PRC limited liability companies.
- (d) These subsidiaries are sino-foreign owned enterprises established in the PRC.

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 2025 and 2024 nor at any time during both years.

# Notes to the Consolidated Financial Statements

## 44 DETAILS OF SUBSIDIARIES (Continued)

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

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

| Name of subsidiary  | Place of establishment and place of business | Proportion of ownership interests held by non-controlling interests | (Loss)/profit allocated to non-controlling interests |                 | Accumulated non-controlling interests |                  |
|---|--|---|--|-----------------|---------------------------------------|------------------|
|   |  |   | 2025   | 2024            | 2025                                  | 2024             |
|   |  |   | RMB'000  | RMB'000         | RMB'000                               | RMB'000          |
| Hubei Daye  | PRC/PRC                                      | 4.65%   | (18,967)   | 7,247           | 1,650,855                             | 1,670,939        |
| Hui Xiang   | PRC/PRC                                      | 45%   | (26,757)   | (35,491)        | (77,805)                              | (51,048)         |
| Individually immaterial subsidiaries with non-controlling interests |  |   | (2,454)  | (2,357)         | (19,442)                              | (16,988)         |
| <b>Total</b>  |  |   | <b>(48,178)</b>                                      | <b>(30,601)</b> | <b>1,553,608</b>                      | <b>1,602,903</b> |

# Notes to the Consolidated Financial Statements

## 44 DETAILS OF SUBSIDIARIES (Continued)

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

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.

#### Hubei Daye

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| Current assets   | 19,589,712      | 15,680,590      |
| Non-current assets                                     | 9,446,974       | 9,973,140       |
| Current liabilities                                    | (13,626,564)    | (11,582,061)    |
| Non-current liabilities                                | (8,673,719)     | (7,451,612)     |
| Net assets   | 6,736,403       | 6,620,057       |
| Equity attributable to owners of the Company           | 5,085,548       | 4,949,118       |
| Non-controlling interests of Hubei Daye                | 255,824         | 249,171         |
| Non-controlling interests of Hubei Daye's subsidiaries | 1,395,031       | 1,421,768       |
| Total equity   | 6,736,403       | 6,620,057       |
| Revenue  | 65,722,295      | 57,614,868      |
| Expenses   | (65,586,436)    | (57,462,310)    |
| Profit for the year                                    | 135,859         | 152,558         |
| Profit attributable to:                                |                 |                 |
| Owners of the Company                                  | 154,826         | 145,311         |
| Non-controlling interests of Hubei Daye                | 7,550           | 7,087           |
| Non-controlling interests of Hubei Daye's subsidiaries | (26,517)        | 160             |
|  | 135,859         | 152,558         |
| Dividend paid to non-controlling interests             | 1,117           | –               |
| Net cash inflow/(outflow) from:                        |                 |                 |
| Operating activities                                   | 1,352,379       | 145,311         |
| Investing activities                                   | (412,912)       | (794,753)       |
| Financing activities                                   | (658,333)       | 170,642         |
| Net cash inflow/(outflow)                              | 281,134         | (478,800)       |

# Notes to the Consolidated Financial Statements

## 44 DETAILS OF SUBSIDIARIES (Continued)

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

### Hui Xiang

|  | 2025<br>RMB'000 | 2024<br>RMB'000 |
|--|-----------------|-----------------|
| Current assets                               | 63,475          | 75,537          |
| Non-current assets                           | 743,130         | 780,728         |
| Current liabilities                          | (581,156)       | (587,859)       |
| Non-current liabilities                      | (398,349)       | (381,846)       |
| Net liabilities                              | (172,900)       | (113,440)       |
| Equity attributable to owners of the Company | (95,095)        | (62,392)        |
| Non-controlling interests of Hui Xiang       | (77,805)        | (51,048)        |
| Total equity                                 | (172,900)       | (113,440)       |
| Revenue                                      | 243,113         | 148,064         |
| Expenses                                     | (302,573)       | (226,932)       |
| Loss for the year                            | (59,460)        | (78,868)        |
| Loss attributable to:                        |                 |                 |
| Owners of the Company                        | (32,703)        | (43,377)        |
| Non-controlling interests of Hui Xiang       | (26,757)        | (35,491)        |
|  | (59,460)        | (78,868)        |
| Dividend paid to non-controlling interests   | -               | -               |
| Net cash inflow/(outflow) from:              |                 |                 |
| Operating activities                         | 35,400          | (26,494)        |
| Investing activities                         | (16,866)        | (28,559)        |
| Financing activities                         | (2,879)         | 38,552          |
| Net cash inflow/(outflow)                    | 15,655          | (16,501)        |

# Notes to the Consolidated Financial Statements

## 45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|  | Notes | 2025<br>RMB'000  | 2024<br>RMB'000 |
|--|-------|------------------|-----------------|
| <b>Non-current assets</b>                    |       |                  |                 |
| Investments in subsidiaries                  |       | <b>3,885,785</b> | 3,885,785       |
| <b>Current assets</b>                        |       |                  |                 |
| Prepayments and other receivables            |       | <b>1,875</b>     | 83              |
| Cash and bank balances                       |       | <b>31,830</b>    | 18,352          |
|  |       | <b>33,705</b>    | 18,435          |
| <b>Current liabilities</b>                   |       |                  |                 |
| Loans from a subsidiary                      | (a)   | <b>183,345</b>   | 171,915         |
| Loan from immediate holding company          | (b)   | <b>73,786</b>    | 75,652          |
| Other payables and accrued expenses          |       | <b>5,558</b>     | 5,558           |
|  |       | <b>262,689</b>   | 253,125         |
| <b>Net current liabilities</b>               |       | <b>(228,984)</b> | (234,690)       |
| <b>Total assets less current liabilities</b> |       | <b>3,656,801</b> | 3,651,095       |
| <b>Non-current liabilities</b>               |       |                  |                 |
| Loans from a subsidiary                      | (c)   | <b>300,000</b>   | 300,000         |
| Promissory note                              |       | <b>1,265,360</b> | 1,223,012       |
|  |       | <b>1,565,360</b> | 1,523,012       |
| <b>Net assets</b>                            |       | <b>2,091,441</b> | 2,128,083       |
| <b>Capital and reserves</b>                  |       |                  |                 |
| Share capital                                |       | <b>727,893</b>   | 727,893         |
| Reserves                                     | (d)   | <b>1,363,548</b> | 1,400,190       |
| <b>Total equity</b>                          |       | <b>2,091,441</b> | 2,128,083       |

# Notes to the Consolidated Financial Statements

## 45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

- (a) The loans from a subsidiary are unsecured and repayable on demand. Except for the amount of RMB22,325,000 (2024: RMB22,325,000) is interest-bearing at 2.6% (2024: 2.6%) per annum, the remaining amount is interest free.
- (b) The loan from immediate holding company is unsecured, interest-bearing at 4.85% per annum and repayable on demand.
- (c) The loans from a subsidiary are unsecured, interest-bearing at 2.6% (2024: 2.6%) per annum and repayable over one year.
- (d) Movements in the Company's reserves

|  | Share<br>premium<br>RMB'000 | Other<br>reserve<br>RMB'000 | Retained<br>profits<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------------------|-----------------------------|--------------------------------|------------------|
| As at 1 January 2024                         | 124,592                     | 1,825                       | 1,332,636                      | 1,459,053        |
| Loss for the year                            | –                           | –                           | (58,863)                       | (58,863)         |
| As at 31 December 2024 and<br>1 January 2025 | 124,592                     | 1,825                       | 1,273,773                      | 1,400,190        |
| Loss for the year                            | –                           | –                           | (36,642)                       | (36,642)         |
| As at 31 December 2025                       | <b>124,592</b>              | <b>1,825</b>                | <b>1,237,131</b>               | <b>1,363,548</b> |

# 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  |
| “Yangxin Hongsheng”        | Yangxin Hongsheng Copper Industry Company Limited* (陽新弘盛銅業有限公司), a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of the Company                            |
| “%”                        | per cent   |

\* For identification purpose only