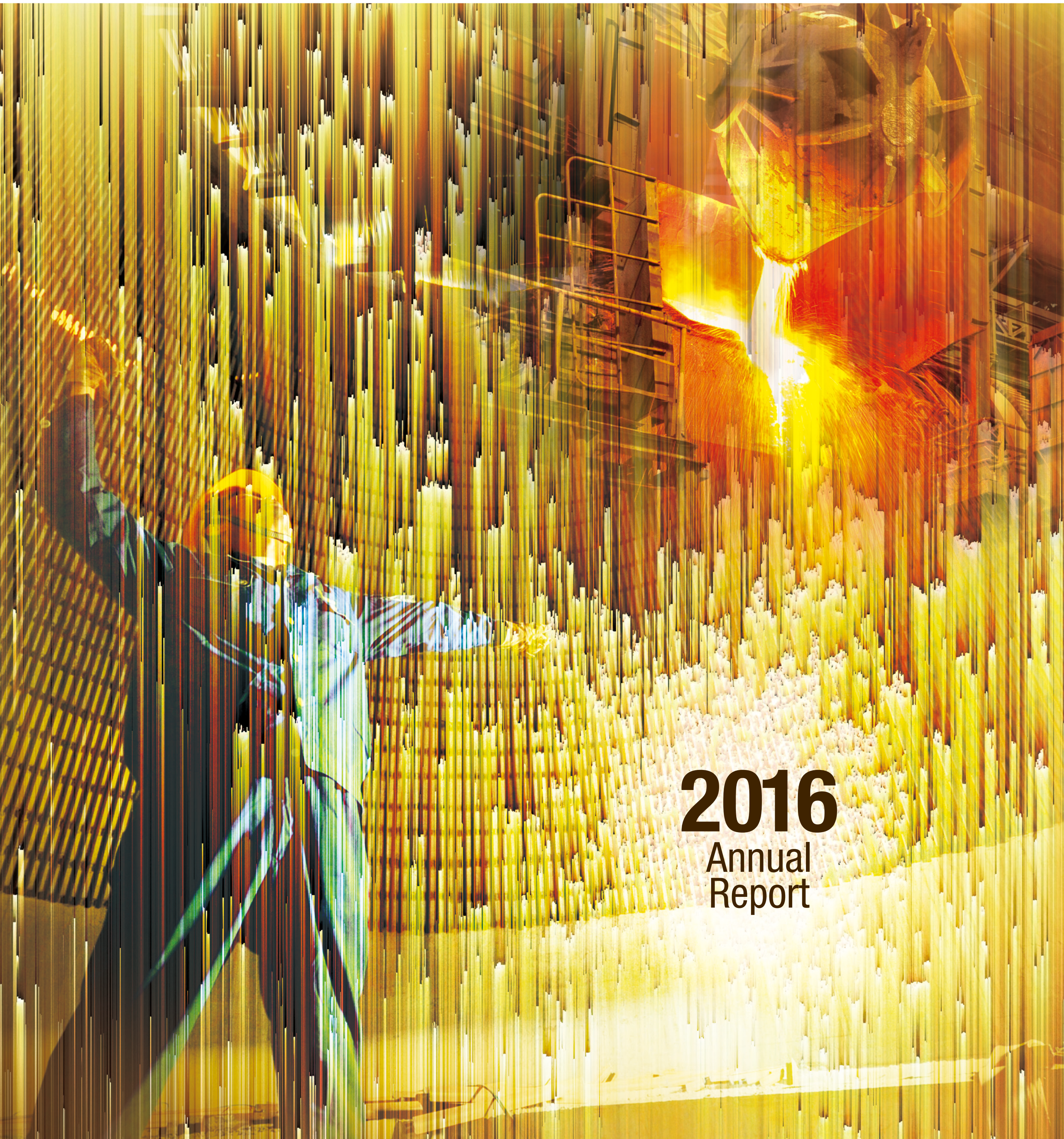
# Jiangxi Copper Company Limited

(A Sino-foreign joint venture joint stock limited company incorporated in the People's Republic of China)

(Stock Code · H Share: 0358 · A Share: 600362)



# 2016 Annual Report

# Important Notice

I. The board of directors (the "Board") and the supervisory committee of the Company (the "Supervisory Committee") and its directors (the "Directors"), supervisors (the "Supervisors") and senior management warrant the truthfulness, accuracy and completeness of the information contained in this annual report that there are no false representations, misleading statements contained herein or material omissions, and jointly and severally accept full responsibility.

II. All Directors attended the Board meeting in relation to, among others, the approval of results for the year ended 31 December 2016 (the "reporting period").

III. The consolidated financial statements of the Group for the reporting period prepared in accordance with PRC Accounting Standards for Business Enterprises ("PRC GAAP") and International Financial Reporting Standards ("IFRSs") have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) (domestic auditor) and Deloitte Touche Tohmatsu (overseas auditor) respectively with standard unqualified audit report issued.

IV. The person in charge of the Company, Li Baomin, the person in charge of accounting, Wu Jinxing, and Manager of Finance Department (accounting chief), Zhou Minhui, hereby warrant the truthfulness, accuracy and completeness of the financial report as set out in this annual report.

V. Proposal of profit distribution plan or transfer of capital reserve to share capital during the reporting period after consideration by the Board

The Board has recommended distributing to all shareholders a final dividend of RMB0.15 per share (inclusive of tax) for 2016. The Board did not recommend transfer of capital reserve to share capital or issue of bonus shares.

VI. Statement for the risks involved in the forward-looking statement

This annual report contains forward-looking statements that involve future plans and development strategies which do not constitute a commitment by the Company to its investors. Investors should be aware of the investment risks.

VII. There is no misappropriation of funds by the controlling shareholders and their connected parties for non-operation purpose.

VIII. There is no external guarantee made in violation of the required decision-making procedures.

IX. Notice of principal risks

The Company has described the industrial risks in details in the report. Please refer to the content of "Discussion and analysis on the future development of the Company – Potential risks" under the section headed "Management Discussion and Analysis" of this report.

X. Others

Unless otherwise specified, financial data involved in this report was extracted from audited consolidated financial statements of the Group prepared in accordance with the PRC GAAP.

# CONTENTS


| | |
|---|---|
| Definitions and Notice of Principal Risks | 2 |
| Corporate Profile | 3 |
| Summary of Accounting Data and Major Financial Indicators | 5 |
| Business Overview of the Company | 13 |
| Management Discussion and Analysis | 15 |
| Report of the Board | 45 |
| Corporate Governance Report | 74 |
| Environmental, Social and Governance Report | 86 |
| Internal Control | 96 |
| Corporate Bonds | 102 |
| Significant Events | 106 |
| Financial Accounting Report | 122 |

# Definitions and Notice of Principal Risks

## I. Definitions

Terms used herein, unless otherwise specified, shall have the same meanings ascribed to them in the report:

**Definitions to the frequently-used terms:**

| | |
|---|---|
| Company or Jiangxi Copper | Jiangxi Copper Company Limited |
| copper concentrate(s) | Copper concentrate is the concentrate from low grade ore containing copper associated with certain quality indicators through processing procedures, which can be directly used for smeltery in smelting plants |
| copper contained in copper concentrate(s) | The amount of copper in copper concentrate |
| CSRC | China Securities Regulatory Commission |
| Group | The Company and its subsidiaries |
| JCC | Jiangxi Copper Corporation |
| PRC | The People's Republic of China |
| SSE | Shanghai Stock Exchange |

## II. Notice of principal risks

The Company has disclosed herein the industrial risks in details. Please refer to the section headed "Discussion and analysis on the future development of the Company – Potential risks" in the chapter of "Management Discussion and Analysis" of this report.

## I. Corporate information

| | |
|---|---|
| Name of the Company in Chinese | 江西銅業股份有限公司 |
| Chinese abbreviation | 江西銅業 |
| Name of the Company in English | Jiangxi Copper Company Limited |
| English abbreviation | JCCL |
| Legal representative | Li Baomin |

## II. Contact persons and contact methods

| | Secretary to the Board | Securities Affairs Representative |
|---|---|---|
| Name | (Chairman of the Board acted on behalf of Secretary to the Board) | Xiao Huadong |
| Address | 7666 Changdong Avenue, High and New Technology Development Zone, Nanchang, Jiangxi Province, the People's Republic of China | 7666 Changdong Avenue, High and New Technology Development Zone, Nanchang, Jiangxi Province, the People's Republic of China |
| Telephone | 0791–82710117 | 0791–82710117 |
| Facsimile | 0791–82710114 | 0791–82710114 |
| E-mail | jccl@jxcc.com | jccl@jxcc.com |

## III. Basic information

| | |
|---|---|
| Registered address of the Company | 15 Yejin Avenue, Guixi City, Jiangxi Province, the People's Republic of China |
| Postal code of the registered address of the Company | 335424 |
| Office address of the Company | 7666 Changdong Avenue, High and New Technology Development Zone, Nanchang, Jiangxi Province, the People's Republic of China |
| Postal code of the office address of the Company | 330096 |
| Website of the Company | http://www.jxcc.com |
| E-mail | jccl@jxcc.com |

## IV. Information disclosure and place of inspection

| | |
|---|---|
| Media selected by the Company for information disclosure | Shanghai Securities News |
| Website designated by CSRC for publishing the annual report | www.sse.com.cn |
| Place for inspection of annual report | 7666 Changdong Avenue, High and New Technology Development Zone, Nanchang, Jiangxi Province, the People's Republic of China |

## V. Information on the Company's shares

| Securities' information of the Company | | | |
|---|---|---|---|
| Class of shares | Stock Exchange of listing shares | Stock abbreviation | Stock code |
| A Shares | Shanghai Stock Exchange | Jiangxi Copper | 600362 |
| H Shares | The Stock Exchange of Hong Kong Limited | Jiangxi Copper | 0358 |

## VI. Other relevant information

| | | |
|---|---|---|
| Auditor appointed by the Company (Domestic) | Name | Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| | Office address | 30th Floor, Bund Center, 222 Yan An Road (East), Shanghai, the PRC |
| | Name of auditor as signatories | Yang Haijiao (楊海蛟), Ma Renjie (馬仁傑) |
| Auditor appointed by the Company (Overseas) | Name | Deloitte Touche Tohmatsu |
| | Office address | 35th Floor, One Pacific Place, 88 Queensway, Hong Kong |
| Sponsor engaged by the Company to continuously perform its supervisory function during the reporting period | Name | China International Capital Corporation Limited |
| | Office address | 27th and 28th Floors, China World Tower 2, No. 1 Jianguomenwai Avenue, Beijing, the PRC |
| | Name of sponsor representatives as signatories | Xu Kang (徐康), Du Yiqing (杜禕清) |
| | Period of continuously performing | September 2008-December 2016 |

# Summary of Accounting Data and Major Financial Indicators

## I. Major accounting data and financial indicators for the last three years of the Company

### (I) Major accounting data (prepared in accordance with the PRC GAAP)

*Unit: Yuan Currency: RMB*

| Major accounting data | 2016 | 2015 | Increase/decrease for the period over the same period last year (%) | 2014 |
|---|---|---|---|---|
| Operating revenue | **202,308,220,227** | 185,782,491,341 | **8.90** | 198,833,486,017 |
| Net profit attributable to shareholders of the Company | **787,538,113** | 637,218,130 | **23.59** | 2,850,649,245 |
| Net profit after non-recurring profit and loss items attributable to shareholders of the Company | **1,388,184,102** | 121,883,714 | **1,038.94** | 1,733,560,208 |
| Net cash flows from operating activities | **4,325,998,967** | 1,902,023,306 | **127.44** | 1,735,447,985 |

| | End of 2016 | End of 2015 | Increase/decrease at the end of the period over the end of the same period last year (%) | End of 2014 |
|---|---|---|---|---|
| Net assets attributable to shareholders of the Company | **46,597,873,215** | 45,906,380,055 | **1.51** | 45,733,876,161 |
| Total assets | **87,384,092,258** | 89,755,211,107 | **-2.64** | 95,322,374,877 |
| Total share capital at the end of period | **3,462,729,405** | 3,462,729,405 | **0** | 3,462,729,405 |

# Summary of Accounting Data and Major Financial Indicators

## (II) Major financial indicators (prepared in accordance with the PRC GAAP)

*Currency: RMB*

| Major financial indicator | 2016 | 2015 | Increase/decrease for the period over the same period last year *(%)* | 2014 |
|---|---|---|---|---|
| Basic earnings per share *(RMB/share)* | **0.23** | 0.18 | **27.78** | 0.82 |
| Diluted earnings per share *(RMB/share)* | **N/A** | N/A | **N/A** | N/A |
| Basic earnings per share after non-recurring profit and loss items *(RMB/share)* | **0.40** | 0.04 | **900.00** | 0.50 |
| Return on net assets (weighted average) *(%)* | **1.70** | 1.39 | **Increased by 0.31 percentage point** | 6.32 |
| Return on net assets after non-recurring profit and loss items (weighted average) *(%)* | **3.00** | 0.27 | **Increased by 2.73 percentage points** | 3.84 |

## II. Differences in accounting data under domestic and foreign accounting standards

### Differences in net profit and net assets attributable to shareholders of the Company in the financial reports prepared under IFRSs and those under PRC GAAP

*Unit: Yuan Currency: RMB*

| | Net profit | | Net assets attributable to shareholders of the Company | |
|---|---|---|---|---|
| | **Amount for the period** | Amount for the previous period | **As at the end of the period** | As at the beginning of the period |
| Under PRC GAAP | **787,538,113** | 637,218,130 | **46,597,873,215** | 45,906,380,055 |
| Adjustments to items and amounts under IFRSs: | | | | |
| Production safety fund provided under the PRC GAAP but not used during the period | **49,121,253** | 50,435,049 | | |
| Income tax effect on production safety fund | **4,134,898** | 1,903,230 | **112,579** | -4,022,619 |
| Under IFRSs | **840,794,264** | 689,556,409 | **46,597,985,794** | 45,902,357,436 |

## III. Major quarterly financial data in 2016 (prepared in accordance with the PRC GAAP)

*Unit: Yuan Currency: RMB*

| | First Quarter (January-March) | Second Quarter (April-June) | Third Quarter (July-September) | Fourth Quarter (October-December) |
|---|---|---|---|---|
| Operating revenue | 38,849,828,509 | 51,354,605,901 | 50,284,306,677 | 61,819,479,140 |
| Net profit attributable to shareholders of the Company | 201,371,672 | 272,005,073 | 514,916,870 | -200,755,502 |
| Net profit after non-recurring profit and loss items attributable to shareholders of the Company | 190,899,866 | 164,111,354 | 461,185,453 | 571,987,429 |
| Net cash flows from operating activities | 743,869,596 | -83,071,309 | 398,062,146 | 3,267,138,534 |

# Summary of Accounting Data and Major Financial Indicators

## IV. Non-recurring profit and loss items and amount (prepared in accordance with the PRC GAAP)

*Unit: Yuan Currency: RMB*

| Non-recurring profit and loss items | 2016 amount | Notes (if applicable) | 2015 amount | 2014 amount |
|---|---|---|---|---|
| Gains/losses from disposal of non-current assets | **-56,767,605** | | -26,564,619 | -39,649,118 |
| Ultra vires approval, or no formal approval document, or incidental tax return and reduction | | | | |
| Government grant as included in profit and loss of the current period, other than those closely relating to the normal business of enterprises and subject to a fixed amount or quantity under certain standard | **108,716,949** | | 130,017,135 | 109,049,458 |
| Fund occupation expense collected from the non-financial enterprises calculated into the current profits and losses | | | | |
| The investment cost of the subsidiaries, associates and joint enterprise obtained by the enterprise is less than the profit generated from the fair value of identifiable net assets of the invested unit enjoyed when investment is obtained | | | | |
| Profit and loss from exchange of non-monetary assets | | | | |
| Profit and loss from investment or asset management entrusted to others | | | | |
| Provision for impairment reserves due to force majeure factor, such as natural disasters | | | | |

# Summary of Accounting Data and Major Financial Indicators

| Non-recurring profit and loss items | 2016 amount | Notes (if applicable) | 2015 amount | 2014 amount |
|---|---|---|---|---|
| Profit and loss from debt restructuring | | | | |
| Enterprise restructuring expense, such as employee placement expenditure, integration expenses and so on | | | | |
| Profit and loss exceeding the fair value generated in the fair transaction at transaction price | | | | |
| Current net profit or loss from the beginning of period to the combination date of the subsidiary company generated from enterprise combination under the same control | | | | |
| Profit and loss generated from contingencies unrelated with normal transactions of the Company | | | | |
| Fair value profit and loss from financial assets and financial liabilities held for trading, and investment gains from disposal of financial assets and liabilities held for trading and available-for-sale financial assets except for effective portion of normal transactions qualified for hedge accounting of the Company | **-928,113,160** | | 514,659,032 | 1,482,905,169 |
| Provision for impairment of the receivables for independent impairment test | **89,755,067** | | 246,914,831 | |

# Summary of Accounting Data and Major Financial Indicators

| Non-recurring profit and loss items | 2016 amount | Notes (if applicable) | 2015 amount | 2014 amount |
|---|---|---|---|---|
| Profit and loss from foreign entrusted loan | | | | |
| Profit and loss from changes in the fair value of the investment real estate subject to subsequent measurement in the mode of fair value | | | | |
| Influence of one-time adjustment on current profits and losses according to requirements in the laws and regulations of tax and accounting | | | | |
| Income from trustee fee obtained from entrusted operation | | | | |
| Other non-operating income and expenses other than the above | | | 69,887,172 | -254,130 |
| Other profit and loss items conforming to definition of non-recurring items | **12,877,655** | | -88,233,512 | |
| Impact from minority interests | **-18,155,322** | | -120,319,110 | -86,639,118 |
| Impact from income tax | **175,842,082** | | -211,026,546 | -348,323,224 |
| Total | **-600,645,989** | | 515,334,416 | 1,117,089,037 |

## V. Items measured at fair value (prepared in accordance with the PRC GAAP)

*Unit: Yuan Currency: RMB*

| Item | Opening balance | Closing balance | Change during the period | Impact on profit of the current period |
|---|---|---|---|---|
| 1. Investment in held-for-trading equity instruments | | | | |
| Equity investments | 27,931,358 | 27,284,608 | -646,750 | -1,100,318 |
| 2. Investment in held-for-trading debt instruments | | | | |
| Bond investment | 129,015,162 | 160,750,782 | 31,735,620 | -13,154,403 |
| 3. Derivatives not designated as a hedge | | | | |
| Forward foreign exchange contracts | 25,412,025 | -53,486,962 | -78,898,987 | -76,996,532 |
| Interest rate swap contracts | -636,234 | -12,841 | 623,393 | 641,791 |
| Commodity option contracts | -39,703,764 | -132,280,125 | -92,576,361 | -57,330,303 |
| Commodity derivative contracts | 332,410,844 | -140,954,879 | -473,365,723 | -477,927,849 |
| Gold forward contracts | -118,694,210 | 129,153,350 | 247,847,560 | 247,847,560 |
| Currency swap contracts | -5,400,702 | -3,664,397 | 1,736,305 | 1,736,305 |
| 4. Liabilities arising from the lease of gold measured at fair value | -1,758,823,082 | -2,682,585,751 | -923,760,669 | -205,931,573 |

| Item | Opening balance | Closing balance | Change during the period | Impact on profit of the current period |
|---|---|---|---|---|
| 5. Hedging instruments | | | | |
| (1) Non-effective hedging derivative instruments | | | | |
| Commodity derivative contracts | 2,474,154 | 19,624,410 | 17,150,256 | 17,811,692 |
| Provisional price arrangement | 8,607,217 | -10,414,104 | -19,021,321 | -19,021,321 |
| (2) Effective hedging derivative instruments | | | | |
| Commodity derivative contracts | 1,129,367 | 3,299,862 | 2,170,495 | 2,277,800 |
| Item at fair value included in inventory | 2,298,168,028 | 2,693,886,370 | 395,718,342 | 257,393,479 |
| Provisional price arrangement | 198,693,155 | -60,140,289 | -258,833,444 | -258,833,444 |
| 6. Available-for-sale financial assets | | | | |
| Available-for-sale equity instrument | 1,338,444,714 | 430,000,000 | -908,444,714 | |
| Available-for-sale debt instrument | 1,851,224,562 | 3,481,749,017 | 1,630,524,455 | |
| Total | 4,290,250,594 | 3,862,209,051 | -428,041,513 | -582,587,116 |

# Business Overview of the Company

## I. Principal business, operation mode and industry situation of the Company during the reporting period

### (I) Principal business and operation mode of the Company

The principal business of the Company covers copper mining and dressing, smelting and processing, extraction and processing of the precious metal and scattered metal, sulphuric chemistry as well as finance and trade fields. It has established the complete industrial chain integrated with exploration, mining, ore dressing, smelting and processing in copper and related non-ferrous metal fields. It is the important production base of copper, gold, silver and sulphuric chemistry. The main products of the Company include more than 50 varieties, such as copper cathode, gold, silver, sulphuric acid, copper rod, copper tube, copper foil, selenium, tellurium, rhenium, bismuth, etc.

The main assets owned and controlled by the Company include:

1. Six mines under production: Dexing Copper Mine (including copper factory mining area, Fujiawu mining area and Zhushahong mining area), Yongping Copper Mine, Chengmenshan Copper Mine (including Jinjiwo Silver-Copper Mine), Wushan Copper Mine, Dongxiang Copper Mine and Yinshan Lead-Zinc Mine.

2. Guixi Smelter, the largest blister and copper concentrate smelter and refiner in China with the largest scale, most advanced technologies and best environmental protection.

3. Seven modern copper products processing plants: Jiangxi Copper Products Company Limited, Guangzhou Copper Production Company Limited, Jiangxi Copper Yates Copper Foil Company Limited, Jiangxi Copper Taiyi Special Electrical Materials Company Limited, Jiangxi Copper (Longchang) Precise Pipe Company Limited, Jiangxi Copper Corporation Copper Products Company Limited and JCC Northwest (Tianjin) Copper Co., Ltd..

4. Two sulphuric acid plants with advanced technology: JCC – Wengfu Chemical Company Limited and Jiangxi Copper (Dexing) Chemical Company Limited.

### (II) Explanation of the industry

In 2016, the international copper price experienced a rise following a downtrend. From January to October 2016, the trend of copper price was far weaker than other varieties. As of 31 October 2016, the closing price of copper on the London Metal Exchange (LME) was USD4,861 per tonne, representing an increase of only 3% as compared with the opening price at the beginning of the year. After entering November, with the rebound of economy in the PRC and driven by a series of factors including infrastructural investment expectations in the United States and so on, copper became one of the best-performed metals. As of 30 December 2016, the closing price of copper on the LME was USD5,516 per tonne, representing an increase of 17% as compared with last year.

# Business Overview of the Company

## II. Analysis of core competitiveness during the reporting period

The Group has established its industry chain with core businesses such as mining, milling, smelting and processing of copper, as well as extraction and processing of sulphuric chemistry, precious and rare metals after more than thirty years of development. The Group also conducts business in various areas such as finance and trading at the same time.

1. Advantage of mines. The Group places first priority to development of mines amongst its strategies, and has been dedicated to seeking and controlling more resources and raising the production volume of self-owned mines. As of the end of 2016, the Group maintained its major resources as follows:

   The Company had 100% ownership in the proven resource reserves of approximately 9,830,000 tonnes of copper metal, 318 tonnes of gold, 9,067 tonnes of silver, 225,000 tonnes of molybdenum, 97,480,000 tonnes of sulphur. Among the resources jointly controlled by the Company and other companies, metal resource reserves attributable to the Company (based on its equity percentage) were approximately 4,430,000 tonnes of copper and 52 tonnes of gold.

2. Advantage of scale in the industry. The Group owns the current largest size of domestic copper mine, namely Dexing Copper Mine, and a number of copper mines under production with annual production of copper contained in copper concentrates of 210,000 tonnes. The Group's current production capacity of copper cathode is over 1,200,000 tonnes per year, and Guixi Smelter is the copper smelter with the largest monomer smelting scale in the world. The Group is also the largest copper processor with over 900,000 tonnes of copper products processed annually.

3. Advantages of technology and talents. The Group possesses industry-leading copper smelting and mine development technologies. With years of legacy, the Group has reserved abundant mines and talents specialized in smelting and equipped with ability and advantages for operating similar mines or for expanding the smelting enterprises.

4. Advantage of brand. The Group operates with a complete industry chain of mining, milling, smelting and processing. Being larger in scale and better in reputation, the Group has occupied a position among top 500 Chinese enterprises and top 500 Chinese manufacturing enterprises for consecutive years. The Group has gained recognition, trust, support and aid from various sectors of the society, and possesses a relatively stronger risk resistant capability.

(The data in this section is extracted from the consolidated financial statements prepared under the PRC GAAP)

## I. Discussion and analysis of the Company's operation

During the reporting period, although the global economy maintained the overall recovery status, it still encountered multiple risks such as lack of growth momentum, sluggish consumer demand, repeated turmoil in the financial market, and continuous slump in international trade and investment. Despite the inactive yet stable economic development in the PRC, there were still many contradictions and problems. Although the price of non-ferrous metal products has stabilized and rebounded, the development of non-ferrous industry would still face a lot of challenges. Under the leadership of the Board of the Company and the effort jointly devoted by all staff, the Group advanced with stable improvement and took positive actions. By adopting a series of effective measures, we overcame various difficulties and accomplished the annual production and operation plan.

In respect of industrial production, the Group continued to implement benchmarking management, and all production indexes achieved a new high: 21 smelting indexes including smelting recycling rate of copper, gold and silver in Guixi Smelter as well as 12 mining and selection indicators including running rate of semi-autogenous mill of Dexing Copper Mine reached the highest level in history, thereby creating substantial economic benefit for the Group while strengthening its position in the industry. In 2016, through scientific organization and precision management, the Group was able to maintain a stable production performance in different types of products. The Group smelted and produced 1,210,000 tonnes of copper cathode, while the self-owned copper mine produced 209,900 tonnes of copper contained in copper concentrates in total. The production quality of copper processing enterprises improved, whereas the yield and quality of copper tube and copper foil both reached the historical highest level.

In respect of cost control, facing the adverse economic situation of downturn in the industry, the Group implemented a quality enhancement and efficiency improvement working plan while continuing to promote comprehensive budget management. The Group effectively reduced production cost of enterprises through strengthening cost control and potential of mining efficiency. The Group continuously optimized business systems such as material procurement, trade and sales business, and financial accounting, proactively explored the use of new financing instruments, optimized the financing structure, adopted an improved raw material procurement structure, and implemented measures such as interaction between the futures market and spot market and so on to enhance the results of the Company.

# Management Discussion and Analysis

In respect of management and technological innovation, the Group adhered to innovation development, speeded up the implementation of the innovation-driven development. The Group accelerated the transformation of scientific research and innovation achievements through the establishment of "dual innovation" platform supported by scientific and technological progress awards and management innovation awards and so on, the setup of scientific research project manager system, the issue of the "Management Measures of Promotion of Transformation of Scientific and Technological Achievements" (《促進科技成果轉化管理辦法》) and other means. In 2016, the Group completed a total of 45 research and development projects, including "highly efficient recycle techniques of copper anode slime and tellurium" (「銅陽極泥碲的高效回收技術」), "highly efficient inner grooved copper tube rotated in two directions" (「雙旋向高效內螺紋銅管」), a total of 41 patents were granted throughout the year, of which 13 were invention patents. The Group launched the construction of intelligent factories and digital mines, focused on building "JCC intelligent manufacturing" and "Internet +", of which the intelligent factory construction projects of Guixi Smelter have been included in the "2016 intelligent manufacturing pilot demonstration project" of Ministry of Industry, the Chengmenshan Copper Mine Big Data Center has been included in the material projects of "Internet +" of the country.

In respect of risk control, the Group focused on strengthening institutional constraints, resolving storage risk and preventing new risks. The Group continued to revise and improve various documents, such as "Work Proposal for Improvement on Internal Control System" (《內控體系完善工作方案》), as well as nine internal control processes, such as asset management, research and development management, construction management, internal supervision, etc. The Group completed legal organization and system, strengthened the contract life cycle management by making use of information technology means, and thus, the beforehand prevention and in-process control of legal risks were effectively strengthened.

In respect of safety and environmental protection, the Group firmly implemented safety and environmental protection, energy conservation and emission reduction measures, strengthened environmental monitoring through promotion of hidden problems investigation system software and adoption of new technology. The Group implemented a precision management on hazardous chemicals and conducted a real-time monitor on major hazards. At the same time, the Group strengthened energy management, implemented the energy-saving transformation projects, strengthened the target responsibility system, and successfully completed the annual goal.

## II. Major business operations during the reporting period

During the reporting period, facing severe economic condition, the Group successfully achieved the production target made at the beginning of the year overcoming different kinds of obstacles. The Group produced 209,900 tonnes of copper contained in copper concentrates, basically the same as last year; produced 1,210,000 tonnes of copper cathode, which is 40,000 tonnes less than the copper cathode produced last year; produced 26 tonnes of gold, basically the same as last year; produced 507 tonnes of silver, which is 63 tonnes less than the silver produced last year; produced 950,000 tonnes of various copper products, basically the same as last year; produced 3,500,000 tonnes of sulphuric acids and 2,630,000 tonnes of sulphur concentrates, basically the same as last year; furthermore, produced 6,916 tonnes of standard molybdenum concentrates (average grade at 45%), 2,086 kg of ammonium perrhenate, 55 tonnes of refined tellurium and 491 tonnes of refined bismuth.

According to the audited 2016 consolidated financial statement prepared in accordance with the PRC GAAP, the consolidated operating income of the Group is RMB202,308,220,227 (2015: RMB185,782,491,341), representing an increase of RMB16,525,728,886 (or 8.90%) as compared with last year; achieving net profit attributable to shareholders of the Company of RMB787,538,113 (2015: RMB637,218,130), representing an increase of RMB150,319,983 (or 23.59%) as compared with last year; basic earning per share is RMB0.23 (2015: RMB0.18), representing an increase of RMB0.05 (or 27.78%) as compared with last year.

### (I) Analysis of principal businesses

**Table of movement analysis for the related items in income statement and cash flow statement**

*Unit: Yuan Currency: RMB*

| Items | For the period | For the same period last year | Changes (%) |
|---|---|---|---|
| Operating revenue | 202,308,220,227 | 185,782,491,341 | 8.90 |
| Operating cost | 195,310,265,014 | 181,478,255,317 | 7.62 |
| Selling and distribution expenses | 569,016,272 | 515,355,849 | 10.41 |
| Administrative expenses | 1,663,987,735 | 2,026,445,194 | -17.89 |
| Finance costs | 252,005,504 | 533,712,434 | -52.78 |
| Net cash flow from operating activities | 4,325,998,967 | 1,902,023,306 | 127.44 |
| Net cash flow from investing activities | -2,768,748,710 | -794,954,150 | -248.29 |
| Net cash flow from financing activities | -10,353,498,146 | -3,937,996,211 | -162.91 |
| Expenses on research and development | 2,327,990,000 | 1,713,938,000 | 35.83 |

1. **Analysis on income and cost**

   ***(1) Principal businesses by industry, by product and by geographical location***

*Unit: Yuan Currency: RMB*

| Principal businesses by industry | | | | | | |
|---|---|---|---|---|---|---|
| By industry | Operating revenue | Operating cost | Gross profit margin *(%)* | Increase/ decrease in operating revenue over last year *(%)* | Increase/ decrease in operation cost over last year *(%)* | Increase/ decrease in gross profit margin over last year *(%)* |
| Manufacturing of non-ferrous metals | 58,939,303,460 | 53,246,691,680 | 10.69 | 1.72 | -1.30 | Increased by 2.77 percentage points |
| Trade | 142,638,320,576 | 141,444,956,790 | 0.84 | 10.87 | 10.30 | Increased by 0.63 percentage point |

| Principal businesses by product | | | | | | |
|---|---|---|---|---|---|---|
| By product | Operating revenue | Operating cost | Gross profit margin (%) | Increase/ decrease in operating revenue over last year (%) | Increase/ decrease in operation cost over last year (%) | Increase/ decrease in gross profit margin over last year (%) |
| Copper cathode | 125,284,189,715 | 122,962,738,961 | 1.85 | 10.72 | 10.05 | Increased by 0.60 percentage point |
| Copper rods and wires | 38,735,196,281 | 37,183,167,346 | 4.01 | 1.60 | 0.67 | Increased by 0.88 percentage point |
| Copper processing products | 3,592,717,722 | 3,345,089,693 | 6.89 | 16.68 | 9.75 | Increased by 5.87 percentage points |
| Gold | 6,985,023,803 | 5,810,266,216 | 16.82 | 13.49 | 0.82 | Increased by 10.45 percentage points |
| Silver | 4,004,884,053 | 3,812,123,988 | 4.81 | 42.21 | 40.99 | Increased by 0.83 percentage point |
| Chemical products | 704,088,366 | 641,815,818 | 8.84 | -47.77 | -40.41 | Decreased by 11.26 percentage points |
| Rare metals and other non-ferrous metals | 19,349,578,651 | 18,399,683,926 | 4.91 | 8.16 | 7.22 | Increased by 0.83 percentage point |
| Other principal businesses | 2,921,945,445 | 2,536,762,522 | 13.18 | 17.23 | 6.37 | Increased by 8.86 percentage points |
| Others | 730,596,191 | 618,616,544 | 15.33 | 1.66 | -7.68 | Increased by 8.57 percentage points |

| Principal businesses by geographical location | | | | | | |
|---|---|---|---|---|---|---|
| By geographical location | Operating revenue | Operating cost | Gross profit margin (%) | Increase/ decrease in operating revenue over last year (%) | Increase/ decrease in operation cost over last year (%) | Increase/ decrease in gross profit margin over last year (%) |
| Mainland China | 169,615,513,206 | 162,853,172,996 | 3.99 | 2.20 | 0.67 | Increased by 1.45 percentage points |
| Hong Kong | 23,341,250,107 | 23,170,973,468 | 0.73 | 108.74 | 108.02 | Increased by 0.35 percentage point |
| Others | 9,351,456,914 | 9,286,118,550 | 0.70 | 8.35 | 8.25 | Increased by 0.09 percentage point |
| Total | 202,308,220,227 | 195,310,265,014 | 3.46 | 8.90 | 7.62 | Increased by 1.14 percentage points |

Explanation on principal businesses by industry, by product and by geographical location

1) *Copper cathode*

During the reporting period, although there was a year-on-year decrease in the price of copper cathode, the trading volume increased, leading to an increase in the operating revenue from copper cathode amounting to RMB12,128.13 million (or 10.72%) as compared with last year; the operating cost increased by RMB11,227.47 million (or 10.05%) as compared with last year; the gross profit increased by RMB900.65 million as compared with last year; and the gross profit margin increased from 1.26% last year to 1.85% for the year.

2) *Copper rods and wires*

During the reporting period, although there was a year-on-year decrease in the average selling price of copper rods and wires, the trading volume increased, leading to an increase in the operating revenue from copper rods and wires amounting to RMB608.26 million (or 1.60%) as compared with last year; the operating cost increased by RMB247.75 million (or 0.67%) as compared with last year; the gross profit increased by RMB360.51 million as compared with last year; and the gross profit margin increased from 3.13% last year to 4.01% for the year.

3) *Copper processing products other than copper rods and wires*

During the reporting period, although there was a year-on-year decrease in the average selling price of copper processing products, the overall sales volume increased as compared with last year, leading to an increase in the operating revenue from processed copper products other than copper rods during the year amounting to RMB513.48 million (or 16.68%) as compared with last year while the operating cost increased by RMB297.26 million (or 9.75%) as compared with last year; the gross profit increased by RMB216.22 million as compared with last year while the gross profit margin increased from 1.02% last year to 6.89% for the year.

4) *Gold*

During the reporting period, due to an increase in the selling price of gold, the operating revenue from gold increased by RMB830.24 million (or 13.49%) as compared with last year while operating cost increased by RMB47.54 million (or 0.82%) as compared with last year. Gross profit of gold increased by RMB782.71 million as compared with last year and gross profit margin increased from 6.37% last year to 16.82% for the year.

5) *Silver*

During the reporting period, due to an increase in the selling price of silver, the operating revenue from silver increased by RMB1,188.77 million (or 42.21%) as compared with last year while the operating cost increased by RMB1,108.29 million (or 40.99%) as compared with last year; gross profit increased by RMB80.48 million as compared with last year and gross profit margin increased from 3.99% last year to 4.81% for the year.

**(2) *Analysis table for output and sales***

| Major products | Output | Sales | Stock | Output increased (reduced) as compared with last year *(%)* | Sales increased (reduced) as compared with last year *(%)* | Stock increased (reduced) as compared with last year *(%)* |
|---|---|---|---|---|---|---|
| Copper cathode *(ten thousand tonnes)* | 121.05 | 120.32 | 1.32 | -3.81 | -5.66 | -9.50 |
| Gold *(tonne)* | 26.43 | 25.71 | 0.24 | 1.19 | -0.70 | -27.16 |
| Silver *(tonne)* | 507.35 | 507.49 | 6.24 | -11.12 | -10.94 | -2.35 |
| Sulfuric acids *(ten thousand tonnes)* | 350.13 | 357.58 | 38.35 | 13.75 | 16.20 | 99.84 |
| Copper processing products *(ten thousand tonnes)* | 95.27 | 94.29 | 0.31 | 0.27 | 5.93 | -53.80 |

### (3) *Analysis on costs*

*Unit: Yuan Currency: RMB*

| By industry | | | | | | | |
|---|---|---|---|---|---|---|---|
| By industry | Cost constituent | For the period | Share of total costs for the period (%) | For the same period last year | Share of total costs for the same period last year (%) | Changes of the amount for the period compared to the same period last year (%) | Explanation |
| Manufacturing of non-ferrous metals | Raw materials | 45,400,466,666 | 23.34 | 44,924,284,422 | 24.84 | 3.04 | |
| | Energy power | 1,864,082,436 | 0.96 | 2,072,201,478 | 1.15 | -21.73 | |
| | Labour | 1,044,751,824 | 0.54 | 1,119,323,037 | 0.62 | -17.53 | |
| | Overheads | 3,780,069,749 | 1.94 | 4,337,679,214 | 2.4 | -24.95 | |
| | Sub-total | 52,089,370,675 | 26.78 | 52,453,488,151 | 29.01 | -0.69 | |
| Trading of non-ferrous metals and others | Trading of non-ferrous metals and others | 142,407,972,391 | 73.22 | 128,354,688,763 | 70.99 | 10.95 | |
| | Total | 194,497,343,066 | 100.00 | 180,808,176,914 | 100.00 | 7.57 | |

| By product | | | | | | | |
|---|---|---|---|---|---|---|---|
| By product | Cost constituent | For the period | Share of total costs for the period (%) | For the same period last year | Share of total costs for the same period last year (%) | Changes of the amount for the period compared to the same period last year (%) | Explanation |
| Copper products | Raw materials | 37,832,860,766 | 86.46 | 37,378,439,081 | 84.71 | 3.59 | |
| | Energy power | 1,683,064,428 | 3.85 | 1,888,329,186 | 4.28 | -23.69 | |
| | Labour | 887,643,698 | 2.03 | 967,177,643 | 2.19 | -20.80 | |
| | Overheads | 3,353,780,300 | 7.66 | 3,893,777,982 | 8.82 | -27.34 | |
| | Sub-total | 43,757,349,192 | 100.00 | 44,127,723,892 | 100.00 | -0.84 | |
| By-products of precious metals | Raw materials | 7,180,368,441 | 99.06 | 7,098,853,540 | 99.06 | 1.15 | |
| | Energy power | 4,720,630 | 0.07 | 4,358,432 | 0.06 | 8.31 | |
| | Labour | 17,254,035 | 0.24 | 16,448,910 | 0.23 | 4.89 | |
| | Overheads | 45,842,832 | 0.63 | 46,552,813 | 0.65 | -1.53 | |
| | Sub-total | 7,248,185,938 | 100.00 | 7,166,213,695 | 100.00 | 1.14 | |
| Chemical products | Raw materials | 368,087,359 | 35.31 | 423,959,807 | 38.1 | -13.18 | |
| | Energy power | 172,992,612 | 16.60 | 175,927,415 | 15.81 | -1.67 | |
| | Labour | 132,846,046 | 12.74 | 128,284,027 | 11.53 | 3.56 | |
| | Overheads | 368,417,678 | 35.35 | 384,520,654 | 34.56 | -4.19 | |
| | Sub-total | 1,042,343,695 | 100.00 | 1,112,691,903 | 100.00 | -6.32 | |
| Rare metals | Raw materials | 19,150,100 | 46.15 | 23,031,994 | 49.15 | -16.85 | |
| | Energy power | 3,304,766 | 7.96 | 3,586,445 | 7.65 | -7.85 | |
| | Labour | 7,008,045 | 16.89 | 7,412,457 | 15.82 | -5.46 | |
| | Overheads | 12,028,939 | 28.99 | 12,827,765 | 27.38 | -6.23 | |
| | Sub-total | 41,491,850 | 100.00 | 46,858,661 | 100.00 | -11.45 | |
| Trading and others | | 142,407,972,391 | 73.22 | 128,354,688,763 | | 10.95 | |
| | Total | 194,497,343,066 | | 180,808,176,914 | | 7.57 | |

***(4) Major customers and major suppliers***

Sales amount of the top five customers was RMB21,793.88 million, making up 10.77% of the total sales amount, among which sales amount of related parties in the sales amount of the top five customers was RMB0, making up 0% of the total sales amount.

Procurement amount of the top five suppliers was RMB26,621.92 million, making up 14.04% of the total procurement amount for the year, among which procurement amount of related parties in the procurement amount of the top five suppliers was RMB0, making up 0% of the total procurement amount.

## 2. Expense

| Item | For the period ended | For the same period last year | Increase/ (decrease) over the same period last year *(%)* | Reasons for the changes |
|---|---|---|---|---|
| Selling expenses | 569,016,272 | 515,355,849 | 10.41 | *Note 1* |
| Administrative expenses | 1,663,987,735 | 2,026,445,194 | -17.89 | *Note 2* |
| Finance costs | 252,005,504 | 533,712,434 | -52.78 | *Note 3* |

*Note 1:* Increase in selling expenses for the period was mainly attributable to the increase in transportation fees and storage fees arising from the increase in business revenue.

*Note 2:* Decrease in administrative expenses for the period was mainly attributable to the decrease in pension scheme and changes in tax items reclassification from administrative expenses according to the value-added tax reform.

*Note 3:* Finance costs of the Group for the period amounted to RMB252.01 million, representing a decrease of RMB281.71 million (or -52.78%) over the same period last year, mainly attributable to the exchange gains arising from net assets of foreign currency for the year arising from the impact of fluctuation of Renminbi currency value in the international market.

## 3. Research and Development ("R&D") contribution

### *(1) R&D contribution table*

*Unit: Yuan Currency: RMB*

| | |
|---|---|
| Expenditure R&D contribution in current period | 2,099,400,000 |
| Capitalization R&D contribution in current period | 228,590,000 |
| Sum of R&D contribution | 2,327,990,000 |
| Percentage of sum of R&D contribution in operating income *(%)* | 1.15 |
| Number of R&D personnel in the company | 2,473 |
| Percentage of number of R&D personnel in total number of company staff *(%)* | 11.51 |
| Proportion of R&D investment capitalization *(%)* | 9.82 |

*(2) Explanation*

In 2016, the Group specifically developed a series of R&D projects around production process linked to the practical conditions of the Company. The projects mainly contained a complete industry chain of copper (exploration, selection and purchase, smelting and processing) and specifically invested in energy conservation, environmental protection, resource regeneration, and the like. During the reporting period, the Group participated in "controllable pressurizing leaching technology for complex and demanding resources" (「複雜難處理資源可控加壓浸出技術」) project and "R&D and industrial application of material saving and abrasion resistant iron and steel material manufacturing techniques" (「節材耐磨損鋼鐵材料製造技術研發與工業應用」), which were awarded the National Technology Invention Second Class Award and the National Technology Improvement Second Class Award, respectively. The "new technology and industrialization of integrated recycle of sulphurized copper ores and associated metal molybdenum and rhenium" (「硫化銅礦伴生金屬鉬錸綜合回收新技術與產業化」) project submitted is shortlisted for the Jiangxi Technological Improvement First Class Award. The Group also successfully completed "research on optimization of semi-autogenous grinding control technology" (「優化半自磨控制技術研究」) and "research on improvement of recycling rate of molybdenum in Dexing Copper Mine" (「提高德銅鉬回收率研究」), among which the results of "research on optimization of semi-autogenous grinding control technology" have been applied in production. Besides, "optimization of grinded mines medium research" (「優化磨礦介質研究」) and "smelting slag and iron" (「冶煉爐渣煉鐵」) projects are currently under research as scheduled.

The Group believes that the continuous implementation of research and development projects lay a solid foundation for the Company's positive development and the fostering of its new economic growth points.

4. **Cash Flow**

*Unit: Yuan Currency: RMB*

| | For the year | For the same period last year | Changes (%) | Reasons for the changes |
|---|---|---|---|---|
| Net cash flow from operating activities | 4,325,998,967 | 1,902,023,306 | 127.44 | *Note 1* |
| Net cash flow from investing activities | -2,768,748,710 | -794,954,150 | 248.29 | *Note 2* |
| Net cash flow from financing activities | -10,353,498,146 | -3,937,996,211 | 162.91 | *Note 3* |

*Note 1:* The reason for change in cash flow generated in operating activities: compared with last year, there is an increase of RMB2,424 million this year, which is mainly attributable to the increase in cash inflow arising from the increase in operating income, and the decrease in tax payment this year arising from the remaining deducted tax amount last year.

*Note 2:* The reason for change in cash flow generated in investing activities: compared with last year, there is a decrease of RMB1,974 million this year, which is mainly attributable to the increase in the purchase of financial products by the subsidiaries of the Group.

*Note 3:* The reason for change in cash flow generated in financing activities: compared with last year, there is a decrease of RMB6,416 million this year, which is mainly attributable to the repayment of JCC bonds amounting to RMB6,800 million by the Group.

## (II) Explanation on major changes caused by non-principle business

Not applicable

## (III) Analysis of assets and liabilities

### 1. Assets and liabilities

*Unit: Yuan Currency: RMB*

| Item | As at the end of the period | Share of total assets (or liabilities) as at the end of the period (%) | As at the end of the previous period | Share of total assets (or liabilities) as at the end of the previous period (%) | Changes as at the end of the period over the end of the previous period (%) | Explanation |
|---|---|---|---|---|---|---|
| Cash and bank | **13,078,661,138** | **14.97** | 20,680,508,461 | 23.04 | -36.76 | *Note 1* |
| Financial assets at fair value through profit or loss | **485,725,863** | **0.56** | 771,946,511 | 0.86 | -37.08 | *Note 2* |
| Factoring receivables | **2,003,582,482** | **2.29** | 1,386,701,367 | 1.54 | 44.49 | *Note 3* |
| Prepayments | **2,328,593,497** | **2.66** | 1,732,389,912 | 1.93 | 34.42 | *Note 4* |
| Dividend receivables | **0** | **0** | 4,000,000 | 0 | -100 | *Note 5* |
| Assets classified as held-for-sale | **189,891,677** | **0.22** | 0 | 0 | | *Note 6* |
| Available-for-sale financial assets | **4,822,313,125** | **5.52** | 3,647,749,276 | 4.06 | 32.2 | *Note 7* |
| Investment properties | **484,296,697** | **0.55** | 352,526,439 | 0.39 | 37.38 | *Note 8* |
| Financial liabilities at fair value through profit or loss | **3,229,152,199** | **3.70** | 1,969,533,221 | 2.19 | 63.96 | *Note 9* |
| Notes payable | **5,656,814,269** | **6.47** | 4,288,351,629 | 4.78 | 31.91 | *Note 10* |
| Accounts payable | **6,160,336,752** | **7.05** | 4,286,669,816 | 4.78 | 43.71 | *Note 11* |
| Tax payable | **994,947,113** | **1.14** | 521,988,361 | 0.58 | 90.61 | *Note 12* |
| Interest payable | **102,155,262** | **0.12** | 169,005,551 | 0.19 | 39.56 | *Note 13* |
| Dividend payable | **64,000,000** | **0.07** | 0 | 0 | | *Note 14* |
| Non-current liabilities due within one year | **137,614,544** | **0.16** | 7,498,998,709 | 8.35 | -98.16 | *Note 15* |
| Long-term borrowings | **228,100,000** | **0.26** | 347,600,000 | 0.39 | -34.38 | *Note 16* |
| Other comprehensive income | **81,499,591** | **0.09** | -119,607,144 | -0.13 | -168.14 | *Note 17* |

## Other explanations

*Note 1:* As at the end of the reporting period, the cash and bank of the Group amounted to RMB13,078.66 million, representing a decrease of RMB7,601.85 million (or -36.76%) over the same period last year, mainly attributable to the repayment of JCC bonds by the Group, amounting to RMB6,800 million in aggregate.

*Note 2:* As at the end of the reporting period, the financial assets at fair value through profit or loss of the Group amounted to RMB485.73 million, representing a decrease of RMB286.22 million (or -37.08%) over the same period last year, mainly attributable to the fluctuation of copper price, leading to the floating loss of commodity derivative contracts and forward commodity contracts.

*Note 3:* As at the end of the reporting period, the factoring receivables of the Group amounted to RMB2,003.58 million, representing an increase of RMB616.88 million (or 44.49%) over the same period last year, mainly attributable to the increase in factoring business in the factoring companies of the Group.

*Note 4:* As at the end of the reporting period, the prepayments of the Group amounted to RMB2,328.59 million, representing an increase of RMB596.20 million (or 34.42%) over the same period last year, mainly attributable to the decrease in finished products, leading to additional prepayments for procurement of raw materials by the Group.

*Note 5:* As at the end of the reporting period, the dividend receivable of the Group amounted to RMB0 million, representing a decrease of RMB4 million over the same period last year, mainly attributable to the receipt of dividend in 2016.

*Note 6:* As at the end of the reporting period, the assets classified as held-for-sale of the Group amounted to RMB189.89 million, mainly attributable to the official's decision to cease production pending relocation of Sichuan Kangxi Copper Industry Co., Ltd.* (四川康西銅業有限責任公司), a subsidiary of the Group. The Group transferred immovable building infrastructure and machinery to assets classified as held for sale.

*Note 7:* As at the end of the reporting period, the available-for-sale financial assets of the Group amounted to RMB4,822.31 million, representing an increase of RMB1,174.56 million (or 32.20%) over the same period last year, mainly attributable to the increase in the available-for-sale equity instruments and assets financial management plans during the year.

*Note 8:* As at the end of the reporting period, the investment properties of the Group amounted to RMB484.30 million, representing an increase of RMB131.77 million (or 37.38%) over the same period last year, mainly attributable to the changes into leasing purpose for the additional properties of the Group.

*Note 9:* As at the end of the reporting period, the financial liabilities at fair value through profit or loss of the Group amounted to RMB3,229.15 million, representing an increase of RMB1,259.62 million (or 63.96%) over the same period last year, mainly attributable to the fluctuation of copper price, leading to the floating loss of commodity derivative contracts and forward commodity contracts.

*Note 10:* As at the end of the reporting period, the notes payable of the Group amounted to RMB5,656.81 million, representing an increase of RMB1,368.46 million (or 31.91%) over the same period last year, mainly attributable to the increase in financing of the Group.

*Note 11:* As at the end of the reporting period, the accounts payable of the Group amounted to RMB6,160.34 million, representing an increase of RMB1,873.67 million (or 43.71%) over the same period last year, mainly attributable to the increase in procurement of raw materials by the Group.

*Note 12:* As at the end of the reporting period, the tax payable of the Group amounted to RMB994.95 million, representing an increase of RMB472.96 million (or 90.61%) over the same period last year, mainly attributable to the increase in profit, resulting in corresponding increase in the taxable profit during the year.

*Note 13:* As at the end of the reporting period, the interest payable of the Group amounted to RMB102.16 million, representing a decrease of RMB66.85 million (or -39.56%) over the same period last year, mainly attributable to the decrease in bonds payable and borrowings.

*Note 14:* As at the end of the reporting period, the dividend payable of the Group amounted to RMB64.00 million, representing an increase of RMB64.00 million over the same period last year, which was mainly attributable to the dividends to be distributed to minority shareholders by JCC International Trading Company Limited (江銅國際貿易有限公司).

*Note 15:* As at the end of the reporting period, the non-current liabilities due within one year of the Group amounted to RMB137.61 million, representing a decrease of RMB7,361.38 million (or -98.16%) over the same period last year, mainly attributable to the repayment of long-term borrowings and bonds payable due within one year by the Group.

*Note 16:* As at the end of the reporting period, the long-term borrowings of the Group amounted to RMB228.10 million, representing a decrease of RMB119.50 million (or -34.38%) over the same period last year, mainly attributable to the facts that the long-term borrowings of the Group will be due within one year, becoming non-current liabilities due within one year and that there was no additional long-term borrowings.

*Note 17:* As at the end of the reporting period, the other comprehensive revenue of the Group amounted to RMB81.50 million, representing an increase of RMB201.11 million (or 168.14%) over the same period last year, mainly attributable to the appreciation of assets in overseas joint enterprises and associates resulted from changes in exchange rate of US dollars.

**2. Limitation of assets as at the end of the reporting period**

Not applicable

## (IV) Information disclosure of industry operation

Currently, economic growth in the world is sluggish. Extensive use of quantitative easing and economic stimulating policies result in a decrease in marginal propensity for consumption, further accelerating the insufficiency of overall demand, while asset shortage will continue, and potential risks in the market will generally exist. Along with the ineffectiveness of the capital contribution stimulating policies, and as more time is needed for structural reform, the centre of global economic growth decreases gradually and it is hard to improve the weak recovery trend amid the weak global economy.

In 2017, it is expected that the non-ferrous metal market environment will be slightly better than that in the previous year. As the fundamental investment operates on a high level, industrial manufacture rebounds after maintaining stability, and release of over-capacity is suppressed, demand of non-ferrous metal in the PRC will grow steadily. The pressure on devaluation of Renminbi results in increase of import cost. The upward trend of costs in environmental protection, energy and power, logistics, labour and so on pushes price rise of non-ferrous metal. It is expected that the non-ferrous metal price in the PRC in 2017 will maintain operation on a high level with comprehensive advancement in the market.

## (V) Analysis of investment

### 1. General analysis of external investment in equity

*Unit: 0'000 Currency: RMB*

| | |
|---|---|
| Investment during the reporting period | 13,737 |
| Increase/decrease in investment | 3,615 |
| Investment during the same period last year | 10,122 |
| Extent of increase/decrease in investment *(%)* | 35.71% |

*Unit: 0'000 Currency: RMB*

| Name of investee | Principle activity | Share of interests in the investee (%) | Investment amount |
|---|---|---|---|
| JCC BioteQ Environmental Technologies Co., Ltd. (江銅百泰環保科技有限公司) | Industrial waste water recovery and product sales | 50 | 1,410 |
| Minmetals Jiangxi Copper Mining Investment Co., Ltd. (五礦江銅礦業投資有限公司) | Investment company | 40 | 168,800 |
| MCC-JCL Aynak Minerals Company Limited (中冶江銅艾娜克礦業有限公司) | Exploration and sales of copper products | 25 | 62,984 |
| Asia Development Sure Spread Company Limited (興亞保弘株式会社) | Import and export of copper products | 49 | 619 |
| Zhaojue Fenye Smelting Company Limited (昭覺縣逢燁濕法冶煉有限公司) | Production and sales of electro deposited copper | 47.86 | 406 |
| BOCI Securities Limited | Security broker and investment advisor | 6.31 | 60,000 |
| Nesko Metal Sanayi ve Ticaret Anonim Şirketi | Exploration and sales of copper products | 48 | 41,341 |
| Jiangxi Jinbei JCC Electric Cable Co., Ltd. (江西金杯江銅電纜有限公司) | Exploration and sales of copper products | 20 | 200 |
| Valuestone GP Ltd.(嘉石普通合夥人有限公司) | Management of funds | 51 | 106 |
| Valuestone Global Resources Fund I LP | Mining investment | 65.65 | 1,025 |

***(1) Significant equity interest investment***

Not applicable

***(2) Significant non-equity interest investment***

Not applicable

*(3) Financial assets measured at fair value*

*Unit: Yuan Currency: RMB*

| Item | Opening balance | Closing balance | Change during the period | Impact on the profit for the period |
|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 771,946,511 | 485,725,863 | -286,220,648 | -73,402,019 |
| Financial liabilities at fair value through profit or loss | 1,969,533,221 | 3,229,152,199 | 1,259,618,978 | -509,185,097 |
| Fair value change on hedged items | 2,298,168,028 | 2,693,886,370 | 395,718,342 | 257,393,479 |
| Available-for-sale financial assets – current | 2,812,500,000 | 2,890,577,247 | 78,077,247 | 0 |
| Available-for-sale financial assets – non-current | 835,249,276 | 1,931,735,878 | 1,096,486,602 | 0 |
| Total | 3,662,523,758 | 11,231,077,557 | 2,543,680,521 | -325,193,637 |

**2. Use of proceeds**

***(1) Expansion of phase II of Chengmenshan Copper Mine***

The total investment of the project was RMB467.99 million. All of the investment was contributed by proceeds raised through non-public issuance of A shares. During the reporting period, the actual amount invested by raised proceeds in the project was RMB3.78 million. As of the end of the reporting period, the accumulative actual amount invested by raised proceeds in the project recorded RMB467.99 million, accounting for 100% of the planned investment amount.

***(2) Technical renovation engineering of enlarging production scale of Dexing Copper Mine***

The planned total investment of the project was approximately RMB2,580 million. All of the investment was contributed by proceeds raised through exercise of warrants. During the reporting period, the actual amount invested by raised proceeds in the project was RMB35.67 million. As at the end of the reporting period, the accumulative investment recorded RMB2,207.15 million, accounting for 85.55% of the planned investment amount. Dexing Copper Mine can increase its mining and milling capacity of ores from 100,000 tonnes per day to 130,000 tonnes per day at present, and approximately increase the output of copper concentrates containing 41,000 tonnes of copper, 61kg of gold and 25.3 tonnes of silver, 1,614 tonnes of molybdenum and 87,597 tonnes of sulphur per annum, which will increase the self-sufficiency rate of raw materials of the Group and bode well for investment benefits.

***(3) Tender and development of the mining rights of copper mine in Afghanistan***

The Company had joined with China Metallurgical Group Corporation and successfully bid the mining rights of Aynak Copper Mine in Afghanistan, and invested RMB58.13 million to establish MCC-JCL Aynak Minerals Company Limited (中冶江銅艾娜克礦業有限公司) in which the Company holds 25% equity interest. At present, the preparation work for the development of the copper mine is in progress. As of the end of the reporting period, the accumulative investment in the project from proceeds raised through exercise of warrants amounted to RMB629,850,000. The expected time of commencement in operation will be postponed due to reasons such as relocation of cultural relics.

***(4) Acquisition of the equity interests in Northern Peru Copper Corp.***

The Company had joined with China Minmetals Non-ferrous Metals Company Limited and invested RMB460 million to establish the Minmetals Jiangxi Copper Mining Investment Co., Ltd. (五礦江銅礦業投資有限公司). They jointly acquired 100% equity interest in Northern Peru Copper Corp. At present, the development plan for the mines of this company is under discussion. As of the end of the reporting period, the accumulative investment in the project from proceeds raised through exercise of warrants amounted to RMB1,300 million. The expected time of commencement in operation will be postponed due to reasons such as environmental valuation and land procurement.

For details, please refer to the Special Report of the Deposit and Actual Use of Proceeds Raised by Jiangxi Copper Company Limited disclosed on the website of SSE and the website of the Company.

## (VI) Material disposal of assets and equity interests

Not applicable

## (VII) Analysis of principal controlling subsidiaries and other companies with shareholding

### (1) Production and operation of our principal controlling subsidiaries as of 31 December 2016

*Unit: '000 Currency: RMB*

| Company name | Business nature | Registered capital | Shareholding percentage (%) | Total assets | Net assets | Operating revenue | Net profit/(loss) |
|---|---|---|---|---|---|---|---|
| Sichuan Kangtong Copper Company Limited 四川康西銅業有限責任公司 | Sale of copper products, rare metal products and sulphuric acid | 286,880 | 57.14 | 1,117,308 | 182,093 | 2,101,396 | -34,106 |
| JCC Finance Company Limited 江西銅業集團財務有限公司 | Provision of guarantee and loans to and deposits taking from members of JCC | 1,000,000 | 85.68 | 11,855,638 | 2,594,478 | 345,799 | 279,295 |
| Jiangxi Copper Products Company Limited 江西銅業銅材有限公司 | Sale and processing of copper materials | 424,500 | 100 | 795,143 | 720,120 | 267,267 | 80,129 |
| JCC Copper Products Company Limited 江西銅業集團銅材有限公司 | Processing and sale of hardware products | 186,391 | 98.89 | 547,505 | 314,408 | 1,645,743 | 14,281 |
| JCC Recycling Company Limited 江西銅業集團(貴溪)再生資源有限公司 | Collection and sale of metal scrap | 6,800 | 99.51 | 10,415 | 9,580 | 113,331 | -527 |
| Shenzhen Jiangxi Copper Marketing Company Limited 深圳江銅營銷有限公司 | Sale of copper products | 1,260,000 | 100 | 10,143,510 | -353,113 | 30,994,958 | -1,091,472 |
| Jiangxi Copper Shanghai Trading Company Limited 上海江銅營銷有限公司 | Sale of copper products | 200,000 | 100 | 6,654,652 | -313,549 | 12,483,408 | -459,286 |
| Jiangxi Copper Beijing Trading Company Limited 北京江銅營銷有限公司 | Sale of copper products | 261,000 | 100 | 608,162 | -155,324 | 855 | -82,796 |
| JCC Yinshan Mining Company Limited 江西銅業集團銀山礦業有限責公司 | Manufacture and sale of non-ferrous metals, rare metals and non-metals | 30,000 | 100 | 1,426,647 | 612,858 | 559,577 | -58,106 |
| JCC Dongtong Mining Company Limited 江西銅業集團東同礦業有限責任公司 | Manufacture and sale of non-ferrous metals, rare metals and non-metals | 46,209 | 100 | 419,301 | -1,483 | 90,118 | -64,925 |

# Management Discussion and Analysis

Unit: '000 Currency: RMB

| Company name | Business nature | Registered capital | Shareholding percentage (%) | Total assets | Net assets | Operating revenue | Net profit/(loss) |
|---|---|---|---|---|---|---|---|
| Jiangxi Copper Yates Copper Foil Company Limited 江西省江銅–耶兹銅箔有限公司 | Production and sale of copper foil | 453,600 | 93.84 | 932,403 | 274,859 | 785,942 | 56,230 |
| Jiangxi Copper (Longchang) Precise Pipe Company Limited 江西江銅龍昌精密銅管有限公司 | Production and sale of copper pipes and other copper pipe products | 890,529 | 92.04 | 1,878,084 | 573,720 | 2,045,708 | 25,407 |
| Jiangxi Copper Taiyi Special Electrical Materials Company Limited 江西省江銅－台意特種電工材料有限公司 | Production and sale of enamelled wires and provision of repair and consulting services | USD16,800 | 70 | 422,089 | 89,734 | 782,517 | 16,155 |
| Thermonamic Electronics (Jiangxi) Company Limited 江西納米克熱電電子股份有限公司 | Development and production of electronic semiconductors and provision of related services | 70,000 | 95 | 68,653 | 62,699 | 22,275 | 821 |
| JCC (Guixi) Metallurgical and Chemical Engineering Company Limited 江西銅業集團(貴溪)冶金化工工程有限公司 | Provision of repair and maintenance services for production facilities and machinery equipment | 35,081 | 100 | 155,327 | 54,144 | 396,485 | 583 |
| JCC (Guixi) New Metallurgical and Chemical Company Limited 江西銅業集團(貴溪)冶化新技術有限公司 | Development of new chemical technologies and new products | 2,000 | 100 | 46,529 | 35,975 | 25,491 | 5,059 |
| JCC Guixi Logistics Company Limited 江西銅業集團(貴溪)物流有限公司 | Provision of transportation services | 40,000 | 100 | 193,910 | 134,564 | 223,126 | 7,718 |

*Unit: '000  Currency: RMB*

| Company name | Business nature | Registered capital | Shareholding percentage (%) | Total assets | Net assets | Operating revenue | Net profit/(loss) |
|---|---|---|---|---|---|---|---|
| JCC (Dexing) Alloy Materials Manufacturing Company Limited 江西銅業集團(德興)鑄造有限公司 | Production and sale of casting products; maintenance of mechanical and electrical equipment; installation and debugging of equipment | 66,380 | 100 | 234,327 | 139,312 | 280,004 | -2,536 |
| JCC (Dexing) Construction Company Limited 江西銅業集團(德興)建設有限公司 | Development and sales of building materials for various projects including mine projects | 50,000 | 100 | 272,925 | 117,397 | 330,404 | 1,611 |
| JCC Geology Exploration Company Limited 江西銅業集團地勘工程有限公司 | Geographical investigation and survey and construction; engineering measurement | 15,000 | 100 | 66,520 | 36,426 | 70,487 | 3,457 |
| Jiangxi Jiangtong-Wengfu Chemical Industry Company Limited 江西省江銅－甕福化工有限責任公司 | Manufacture and sale of sulphuric acid and by-products | 181,500 | 70 | 189,395 | 172,583 | 79,141 | -37,804 |
| Jiangxi Copper Corporation Drill Project Company Limited 江西銅業集團井巷工程有限公司 | General contracting for mining constructions | 20,290 | 100 | 106,958 | 28,782 | 95,127 | 869 |
| JCC (Ruichang) Alloy Materials Manufacturing Company Limited 江西銅業集團(瑞昌)鑄造有限公司 | Production and sales of cast iron grinding ball, machinery processing and manufacture and sales of wear resistant materials and products | 2,602 | 100 | 12,560 | 5,241 | 34,400 | -245 |
| JCC Qianshan Copper Concentration Pharmaceuticals Company Limited 江西銅業集團(鉛山)選礦藥劑有限公司 | Sale of beneficiation drugs, fine chemicals and other products | 10,200 | 100 | 30,649 | 24,904 | 30,200 | 375 |

Unit: '000 Currency: RMB

| Company name | Business nature | Registered capital | Shareholding percentage (%) | Total assets | Net assets | Operating revenue | Net profit/(loss) |
|---|---|---|---|---|---|---|---|
| Jiangxi Copper Chengdu Trading Company Limited 成都江銅營銷有限公司 | Sale of copper products | 60,000 | 100 | 78,829 | -62,982 | 1,368,032 | -77,639 |
| Jiangxi Copper Construction Supervision Company Limited 江西銅業建設監理諮詢有限公司 | Construction | 3,000 | 100 | 16,010 | 12,238 | 14,749 | 667 |
| Jiangxi Copper (Guangzhou) Copper Production Company Limited 廣州江銅銅材有限公司 | Production, processing and sale of copper products and wires | 800,000 | 100 | 5,001,570 | 895,369 | 12,392,207 | 16,121 |
| Jiangxi Copper International Trade Company Limited 江銅國際貿易有限公司 | Trading of metal products | 1,000,000 | 60 | 7,900,538 | 969,303 | 62,724,022 | 154,026 |
| Shanghai Jiangtong Investment Holdings Ltd. 上海江銅投資控股有限公司 | Construction | 169,842 | 100 | 344,998 | 150,238 | 1,924,641 | -5,181 |
| Jiangxi Copper Dexing Chemical Company Limited 江西銅業(德興)化工有限公司 | Sulphuric acid and related by-products | 375,821.5 | 100 | 610,298 | 411,843 | 116,642 | -38,877 |
| Jiangxi Copper Yugan Forge & Alloy Company Limited 江西銅業集團(餘干)鍛鑄有限公司 | Production and sales of cast iron grinding ball, machinery processing and manufacture and sales of wear resistant materials and products | 28,000 | 100 | 53,092 | 42,657 | 40,218 | 5,188 |
| Jiangxi Copper (Qingyuan) Company Limited 江西銅業(清遠)有限公司 | Manufacturing, processing and sales of anode sheets of copper cathode and non-ferrous metals | 890,000 | 100 | 1,810,755 | 562,202 | 4,924,101 | 94,193 |
| Jiangxi Copper Company Hong Kong Limited 江西銅業香港有限公司 | Import-export business trade and settlement, offshore investment and financing, and cross-border RMB settlement | USD3,000 | 100 | 3,813,296 | 285,538 | 9,862,746 | -22,272 |

# Management Discussion and Analysis

*Unit: '000 Currency: RMB*

| Company name | Business nature | Registered capital | Shareholding percentage (%) | Total assets | Net assets | Operating revenue | Net profit/(loss) |
|---|---|---|---|---|---|---|---|
| Jiangxi Copper Recycling Company Limited 江西銅業再生資源有限公司 | Collection and sale of metal scrap | 250,000 | 100 | 290,727 | 227,244 | 481,092 | -6,896 |
| Shangri La Bisidaji Mining Company Limited 香格里拉市必司大吉礦業有限公司 | Exploration of copper mining | 5,000 | 51 | 80,017 | -11,670 | 0 | -6,932 |
| Jiangxi Copper International (Istanbul) Mining Investment Co., Ltd. 江銅國際礦業投資(伊斯坦布爾)股份有限公司 | Import and export trading of copper products | USD62,400 | 100 | 273,290 | 263,550 | 0 | -79,198 |
| Jiangxi Copper Technical Institution Co., Ltd. 江西銅業技術研究院有限公司 | Research and development | 45,000 | 100 | 46,934 | 44,795 | 4,368 | 100 |
| Zhejiang Jiangtong Fuye Heding Copper Co., Ltd. 浙江江銅富冶和鼎銅業有限公司("Heding Copper") | Production and sale of copper products | 1,280,000 | 40 | 3,871,061 | 1,424,669 | 5,737,729 | 70,978 |
| Jiangxi Copper North China (Tianjin) Copper Co., Ltd 江銅華北(天津)銅業有限公司 | Production of copper rod and wire and the relevant products | 510,204 | 51 | 908,996 | 530,874 | 5,787,005 | 14,926 |

(2) **Production and operation of our associates and joint ventures as of 31 December 2016**

| Name of investee | Business nature | Registered capital | | Our shareholding | Total assets at the end of the year | Total liabilities at the end of the year | Net assets in aggregate at the end of the year | Total operating revenue for the year | Net profits for the year |
|---|---|---|---|---|---|---|---|---|---|
| | | *Currency* | *'000* | *(%)* | *('000)* | *('000)* | *('000)* | *('000)* | *('000)* |
| I. Joint Venture | | | | | | | | | |
| Jiangxi JCC-BIOTEQ Environmental Technologies Company Limited ("Jiangtong Bioteq") | Industrial waste water recovery and product sales | RMB | 28,200 | 50 | 51,784 | 10,606 | 411,785 | 43,206 | 5,513 |
| Nesko Metal Sanayi ve Ticaret Anonim Şirketi | Exploration and sales of copper products | YTL | 4,520,000 | 48 | 308,030 | 42,146 | 265,884 | | -45,002 |
| Valuestone GP LTD. (嘉石普通合伙人有限公司) ("Valuestone GP") | Investment company | USD | 3,000 | 51 | 285 | 0 | 281 | | -101 |
| II. Associates | | | | | | | | | |
| Minmetals Jiangxi Copper Mining Investment Company Limited (五礦江銅礦業投資有限公司) ("Jiangxi Copper Minmetals") | Investment company | RMB | 3,960,000 | 40 | 4,666,934 | 1,687,233 | 2,979,701 | 558 | -154,496 |
| MCC-JCL Aynak Minerals Company Limited (中冶江銅艾綁克礦業有限公司) ("MCC- JCL") | Exploration and sales of copper products | USD | 363,648 | 25 | 2,738,224 | 17,472 | 2,721 | | |
| Asia Development Sure Spread Company Limited (興亞保弘株式會社) ("Asia Sure Spread") | Import and export of copper products | JPY | 200,000 | 49 | | | | | |

| Name of investee | Business nature | Registered capital | | Our shareholding | Total assets at the end of the year | Total liabilities at the end of the year | Net assets in aggregate at the end of the year | Total operating revenue for the year | Net profits for the year |
|---|---|---|---|---|---|---|---|---|---|
| | | *Currency* | *'000* | *(%)* | *('000)* | *('000)* | *('000)* | *('000)* | *('000)* |
| Zhaojue Fengye Smelting Company Limited (昭覺縣逢燁濕法冶煉有限公司) ("Zhaojue Fengye") | Production and sale of electro deposited copper | RMB | 10,000 | 47.86 | 7,440 | 1,143 | 6,297 | | -282 |
| BOCI Securities Limited ("BOCI") | Security broker and investment advisor | RMB | 1,979,167 | 6.31 | 42,439,325 | 31,733,043 | 10,706,282 | 2,841,888 | 1,088,199 |
| Valuestone Global Resources Fund I LP ("Fund I") | Fund company | USD | 150,000 (Fund commitment) | 65.5 | 3,881 | 3,881 | 0 | | |
| Jiangxi Jinbei JCC Electric Cable Co., Ltd. (江西金杯江銅電纜有限公司) | Production and sale of copper products | RMB | 20,000 | 20 | 9,218 | 1,728 | 7,490 | 7,509 | -2,510 |

## III. Discussion and analysis on the future development of the Company

### (I) Information on the industry and development trend

In 2016, domestic copper enterprises withstood a greater operating pressure, the industry competition was intensified. Although large-scale domestic copper enterprises actively responded to the call of supply side structural reform at the beginning of the year, and reduced their 2016 annual production plan, the results were limited. The statistics of National Bureau of Statistics showed that, as of December 2016, the cumulative production of electrolytic copper had reached 8.436 million tonnes, representing an increase of 6% as compared with last year; on the other hand, the People's Banks of China's policy benefits released through decrease in deposit reserve requirement ratio and interests in the recent two years was not fully transmitted to the real economy, and a lot of capital detached from the real economy and entered the virtual economy, which brought about certain difficulties to industry financing, resulting in an unfavorable situation of ample supply in upstream and weak demand in downstream of copper industry.

In 2017, the global macroeconomy will be in a cyclical adjustment stage. The cycle of interest rate increase entered by the United States, devaluation of Renminbi, uncertain development situation of the European Union and a series of potential risks will lead to a number of uncertainties on the trend of copper price. From the perspective of copper supply and demand, in the supply side, although the recent copper mine strikes and limited exports of Indonesian raw materials will lead to short-term reduction in copper concentrates supply, with the rebound in copper price, it would likely lead to the resumption of production in certain copper mines, and the update in copper products in the recent decade led to an increase in the supply of scrap copper and thus, such part of impact will be hedged. International Copper Study Group (ICSG) estimated that the 2017 global mine copper production would amount to 19.90 million tonnes, maintaining the same level of 2016. In the consumer side, the upgrade of Sino-US trade friction will affect the exports of the PRC, and additionally, the real estate industry in the PRC is facing a downside risk as a result of tightening policy, resulting in suppression of copper consumption, while the infrastructural investment, new establishment and transformation of power grid, and promotion of new energy electric vehicles will stimulate copper consumption. It is expected that in 2017, the implementation and promotion of "The Belt and Road" of the PRC and the increase of infrastructural investment in the PRC and the United States will be the main stimulants driving copper consumption, while non-ferrous metal product prices will gradually enter the upward trend in the price cycle. The steady growth, structural adjustment, production capacity reduction, deleverage, acceleration of industry transition and upgrading will still be the focus of the non-ferrous metal industry in 2017.

## (II) The development strategy of the Company

Adhering to the strategy of "to develop mines, to consolidate smelting, to improve refining and to diversify into related sectors", targeting at strategic objectives and being guided by the globalization of resources and internationalization of operation. Internally, the Company will continue to carry out a comprehensive reform, remove the "roadblocks" to development, increase operation and management level and strengthen inventory assets. Externally, it will reinforce investment development mainly by mergers and acquisition and partly by new establishments, continue to expand its scale, adjust its structure, optimize its layout and enrich its assets. Through the said internal and external measures, the Company will make breakthroughs and turn a new page for the Company's development.

## (III) Business plan

The Group completed or outperformed a series of production plans set in early 2016.

In 2017, the Company's main production and operation plan is to produce: 1.36 million tonnes of copper cathode, 25 tonnes of gold, 497 tonnes of silver, 3.71 million tonnes of sulphuric acid, 208,900 tonnes of copper contained in copper concentrate, and 1.028 million tonnes of copper rods and wires and other copper processing products. The Group will timely adjust the plan based on the changes in market conditions.

To realize the above plan, in 2017, the Group will primarily exert efforts in the following aspects:

1. The Group will make an effort to merger and restructuring and speed up to realize internationalized operation, set up a platform for internationalized operation, improve corresponding decision-making and operational management mechanism, focus on creating an international talent team and establish corresponding incentive and restraint mechanism. The Group will actively integrate into the strategy of "The Belt and Road", accelerate the pace of "going out", strengthen cooperation with international mining companies, implement overseas resources merger and acquisition development and production capacity cooperation, and improve risk exploration efforts to increase resource reserves of the Company.

2. The Group will speed up the reform of system and mechanisms, steadily deepen the supply side structural adjustment, enhance the vitality of enterprise development, and improve the development quality of the Company. The Group will continue to deepen the reform of property rights system, promote adjustment to control mode and optimization of functions, construct a more effective incentive and restraint mechanism, speed up the optimization of capacity structure layout, intensify the transformation of backward production capacity, promote traditional industrial technology transformation of the Company by making use of the support of policies, and gradually achieve high-end, intelligent, green and personalized changes.

3. The Group will comprehensively promote the innovation-driven strategy to enhance core competitiveness, and continue to enhance innovation capability through in-depth implementation of management innovation, technological innovation, business model innovation. The Group will promote management upgrade by management innovation, explore potential of improvement on quality and efficiency, continue to adjust the technological innovation mechanism, achieving not only encouragement of innovation, but also tolerance of failure. The Group will further mobilize the enthusiasm of innovation and efficiency of all staff, adhere to market-orientation, establish a concept of share economy, constantly innovate business model, and enhance the "four-in-one" competitive advantages, namely the quality, cost, efficiency and risk control of the Company through innovation.

4. The Group will adhere to green development, implement safety and environmental protection, energy saving and emission reduction measures, continuously adapt to new regulatory requirements, devote to environmental protection basis management, ensure the overall stability of safety and environmental protection situation, stably realize the efficacy of environmental protection facilities, strengthen the informatization of environmental protection management, continue to implement contractual energy management to ensure the stable operation of energy saving facilities, and perform the tasks of energy saving and emission reduction well.

## (IV) Potential risks

### 1. The risk of decrease in copper price

In 2017, the Group planned to produce a total of 208,900 tonnes of copper contained in copper concentrates. For every decrease of RMB1,000 in copper price, the profits from the self-produced mines of the Company will decrease by RMB200 million (before tax) and the equivalent earnings per share (EPS) before tax will decrease by approximately RMB0.06 per share. The Company has been pursuing a positive and prudent hedging policy for years. With an aim to ensure operating targets, the Company has provided hedging for self-produced raw materials according to their price ranges, and aimed to lock the processing fee in respect of outsourced raw materials, so as to shelter from the risk generated from fluctuations in copper price.

### 2. The risk of decrease in smelting processing fees

With the gradual operation of global new smelting capacity, the relative smelting capacity of copper concentrate will experience a slight shortage with an expanding trend. As of current, there has been a certain degree of decline in copper smelting processing fees. The future uncertainty in the global macroeconomic development will also limit the growth of copper consumption, and the risk in copper smelting industry will be further increased.

### 3. Changes in domestic and overseas economic environment

The sluggish growth trend in the global economy still continues, while large variable exists in the trend of major economic policies and there are still many unstable factors. Although the US president Trump promised to increase contributions to infrastructure, its specific implementation is still subject to a long period of time. In addition, the rate hike conducted by the Federal Reserve results in the US dollars remaining strong, while the increase in metal price will be suppressed. In 2017, the Chinese economy is still under structural adjustment and economic benefit of traditional manufacturing industry is further differentiated, resulting in apparent differences of solvency of downstream enterprises and further increase in credit risks of enterprises.

## I. Principal business

The principal business of the Company covers copper mining and dressing, smelting and processing, extraction and processing of the precious metal and scattered metal, sulphuric chemistry as well as finance and trade fields. It has established the complete industrial chain integrated with exploration, mining, ore dressing, smelting and processing in copper and related nonferrous metal fields. It is the important production base of copper, gold, silver and sulphuric chemistry. The main products of the Company include more than 50 varieties, such as copper cathodes, gold, silver, sulphuric acid, copper rod, copper tube, copper foil, selenium, tellurium, rhenium, bismuth, etc.

## II. Changes in share capital

During the reporting period, the total number and capital structure of ordinary shares of the Company did not change.

## III. Issue and listing of securities

### (I) Issue of securities as of the reporting period

During the reporting period, there was no issue of any securities by the Company.

### (II) The total number of ordinary shares, changes in the shareholding structure and changes in assets and liabilities structure of the Company

During the reporting period, the Company has no relevant changes.

### (III) Existing staff shares

During the reporting period, the Company has no existing staff shares.

## IV. Business overview

### (I) Business summary and analysis

Business and result analysis combining financial key performance indicators of the Group are set out in Summary of Accounting and Major Financial Indicators on pages 5 to 12, Business Overview of the Company on pages 13 to 14 and the Management Discussion and Analysis on pages 15 to 44 of this report.

## (II) Environmental policies and performance

During the reporting period, the Company strictly complied with the requirements of the national laws, regulations and regulatory documents on environmental protection and strived to perform environmental protection work, reinforce management, improve the recycling and utilisation of “three types of waste” (wastewater, exhaust gas and solid waste) and cut down the waste disposal.

The Company continuously enhanced the technique of water return for mining and smelting. The reuse rate of industrial water increased from 94.29% last year to 94.63%. There was no overflow in all acidic reservoirs, and there were effective treatments for all pollutants. Moreover, in order to reduce the impact on the environment by smoke and dust emission, the Company adopted various means to collect smoke and dust arising from smelting, such as dynamic wave washing, electrical dust collection and filter cloth bag dust collection. The collected dust will be for multi-purposes, realizing “harmless” emission of flue gas.

Focusing on prevention and control of solid waste, the Company actively initiated integrated usage of such waste, retrieved valuable elements and disposed of other residue in a safe and secure way, so as to achieve “harmless” prevention and control of solid waste. In compliance with the national standards, the Company has built many large-scale spoilbanks and tailings ponds as secure places to store waste rock and tailings arising from ore selection process as a reserve of resource for further development at a later stage as opportunity arises. The smelting and processing enterprises under the Company produced hazardous solid waste of approximately 180,000 tonnes per year. Of which, 160,000 tonnes were for integrated usage within the enterprise, while 20,000 tonnes were transferred or sold to external parties, hence achieving 100% utilisation of hazardous solid waste.

For further information regarding the environmental policies of the Company, please refer to “Environmental, Social and Governance Report” in this report for details.

## (III) Compliance with relevant laws and regulations

The Group understands the importance of compliance with the requirements of regulations. The risks of not complying with relevant requirements may lead to material adverse effects. During the reporting period, the Company would strictly comply with applicable laws and regulations in various countries and regions as before, and update various terms in a timely manner. Legal Affairs Department of the Company will regularly organize and arrange internal study to ensure that the Company is in compliance with laws and regulations in its ordinary operations. If potential legal risks are found, the Legal Affairs Department of the Company will cooperate with Risk Control Department and carry out rectification in a timely manner.

Saved as disclosed in this report, the Group is also in compliance with relevant requirements of the Companies Ordinance in Hong Kong and the Company Law in the PRC, listing rules of the applicable stock exchanges in Hong Kong and the PRC and the Securities and Futures Ordinance.

### (IV) Significant relationship with stakeholders

Trust and support from stakeholders are closely related to the growth and success of the Company. Our stakeholders include employees, suppliers and customers:

**(1) Employees**

The Company adheres to implement "talent strategies" to provide employees with sound and safe working environment, and constantly optimize the remuneration and benefit system. Over the years, management teams and employees of the Company are stable.

**(2) Suppliers**

Over years of development, business scope of the Company can be found across the country and overseas. The Company maintained a long-term and closely cooperative relationship with suppliers in various countries. During the reporting period, the relationship between the Company and major suppliers was good and stable.

**(3) Customers**

The Company always gives top priority to satisfaction of customers, regards quality of products as the backbone of the enterprise, and upholds the enterprise's values and beliefs of "joint creation and sharing". During the reporting period, the relationship between the Company and major customers was good and stable.

### (V) Major risks and uncertainties

Description of the potential risks which may be encountered by the Group is set out on page 44 in the Management Discussion and Analysis of this report.

### (VI) Significant matters after the reporting period

After the reporting period, there were no significant matters which had impact on the Company.

### (VII) Future development

Future development of the business of the Group is set out on pages 41 to 43 in the Management Discussion and Analysis of this report.

## V. Particulars of shareholders and de facto controller

### (I) Number of shareholders

| | |
|---|---|
| Total number of shareholders of ordinary shares as at the end of the reporting period | 129,780 |
| Total number of shareholders of ordinary shares at the end of previous month before disclosure of this annual report | 124,943 |
| The total number of shareholders of preference shares with voting rights restored at the end of the reporting period | 0 |
| The total number of shareholders of preference shares with voting rights restored before disclosure of this annual report | 0 |

## (II) Particulars of shareholdings of the top ten shareholders and top ten holders of tradable shares (or holders of shares not subject to lock-up) as at the end of the reporting period

*Unit: Share*

| Particulars of shareholding of the top ten shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of shareholders (full name) | Increase/decrease in the reporting period | Number of shares held at the end of the reporting period | Shareholding percentage (%) | Number of shares held subject to lock-up | Pledged or frozen status | | Nature of shareholder |
| | | | | | Status of shares | Number of shares | |
| JCC | 0 | 1,403,614,110 | 40.53 | 0 | Nil | 0 | State-owned legal person |
| HKSCC Nominees Limited ("HKSCC") | 9,775,128 | 1,190,005,623 | 34.37 | 0 | Unknown | | Unknown |
| Central Huijin Asset Management Ltd. | 0 | 31,843,800 | 0.92 | 0 | Unknown | | Unknown |
| Tianan Property Insurance Co., Ltd – Sure Win Wealth Management No.1 | 15,803,954 | 15,803,954 | 0.46 | 0 | Unknown | | Unknown |
| Wang Xiao'an | 11,000,000 | 11,000,000 | 0.32 | 0 | Unknown | | Unknown |
| National Social Security Fund No. 103 Portfolio | -1,999,874 | 9,999,901 | 0.29 | 0 | Unknown | | Unknown |
| New China Life Insurance Company Limited – Bonus – Individual Bonus – 018L – FH002 SH | 8,049,449 | 8,049,449 | 0.23 | 0 | Unknown | | Unknown |
| Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classified Fund | -2,919,527 | 7,570,336 | 0.22 | 0 | Unknown | | Unknown |
| Lv Jianwei | 7,150,062 | 7,150,062 | 0.21 | 0 | Unknown | | Unknown |
| Taiping Life Insurance Company Limited – Bonus – Team Bonus | 7,099,899 | 7,099,899 | 0.21 | 0 | Unknown | | Unknown |

*Unit: Share*

| Shareholdings of the top ten shareholders not subject to lock-up | | | |
|---|---|---|---|
| Name of shareholder | Number of tradable shares held not subject to lock-up | Class and number of shares: Class | Number |
| JCC | 1,403,614,110 | Ordinary shares denominated in RMB (A Shares) | 1,205,479,110 |
| | | Overseas listed foreign shares (H Shares) | 198,135,000 |
| HKSCC | 1,190,005,623 | Ordinary shares denominated in RMB (A Shares) | 10,129,128 |
| | | Overseas listed foreign shares (H Shares) | 1,179,876,495 |
| China Securities Finance Corporation Limited | 31,843,800 | Ordinary shares denominated in RMB (A Shares) | 31,843,800 |
| Tianan Property Insurance Co., Ltd – Sure Win Wealth Management No.1 | 15,803,954 | Ordinary shares denominated in RMB (A Shares) | 15,803,954 |
| Wang Xiaoan | 11,000,000 | Ordinary shares denominated in RMB (A Shares) | 11,000,000 |
| National Social Security Fund No. 103 Portfolio | 9,999,901 | Ordinary shares denominated in RMB (A Shares) | 9,999,901 |
| New China Life Insurance Company Limited – Bonus – Individual Bonus – 018L – FH002 SH | 8,049,449 | Ordinary shares denominated in RMB (A Shares) | 8,049,449 |
| Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classified Fund | 7,570,336 | Ordinary shares denominated in RMB (A Shares) | 7,570,336 |
| Lv Jianwei | 7,150,062 | Ordinary shares denominated in RMB (A Shares) | 7,150,062 |
| Taiping Life Insurance Company Limited – Bonus – Team Bonus | 7,099,899 | Ordinary shares denominated in RMB (A Shares) | 7,099,899 |

| | | |
|---|---|---|
| The explanation of the connected relationship or parties acting in concert among the aforesaid shareholders | (1) | JCC, the controlling shareholder of the Company, and is neither connected to nor a party acting in concert with other shareholders of shares not subject to lock-up as defined in "the Measures for the Administration of the Takeover of Listed Companies" issued by CSRC; |
| | (2) | The Company is not aware of any connected relationship among other holders of shares not subject to lock-up, nor aware of any parties acting in concert as defined in "the Measures for the Administration of the Takeover of Listed Companies" issued by CSRC. |

*Notes:* 1. HKSCC held a total of 1,179,876,495 H Shares and 10,129,128 A Shares of the Company in the capacity of nominee on behalf of a number of customers, representing approximately 34.37% of the total issued share capital of the Company. HKSCC is a member of the Central Clearing and Settlement System, providing registration and custodial services for customers.

2. The 198,135,000 H Shares held by JCC have been registered with HKSCC and were separately listed from the other shares held by HKSCC when disclosed in the table above. Taking into account the H shares held by JCC, HKSCC held 1,388,140,623 shares as nominee, representing approximately 40.09% of the issued share capital of the Company.

## (III) Interests and short positions of shareholders

As at 31 December 2016, the interests or short positions of the shareholders, other than Directors, Supervisors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance ("SFO") were as follows:

| Name of shareholder | Class of shares | Capacity | Number of shares *(Note 1)* | Approximate percentage of the number of the relevant class of shares *(%)* | Approximate percentage of total issued share capital *(%)* |
|---|---|---|---|---|---|
| JCC *(Note 2)* | Domestic shares | Beneficial owner | 1,205,479,110(L) | 58.09(L) | 34.81(L) |
| JCC *(Note 3)* | H shares | Beneficial owner | 198,135,000(L) | 14.28(L) | 5.72(L) |
| Citigroup Inc. | H shares | *(Note 4)* | 82,049,437(L) | 5.91(L) | 2.37(L) |
| | | | 6,113,903(S) | 0.44(S) | 0.18(S) |
| | | | 75,874,095(P) | 5.47(P) | 2.19(P) |
| Blackrock, Inc. *(Note 5)* | H shares | Interests in a controlled corporation | 70,352,447(L) | 5.07(L) | 2.03(L) |

*Note 1:* "L" means long positions in the shares; "S" means short positions in the shares; and "P" means shares available for lending in the shares.

*Note 2:* In addition to the above mentioned 1,205,479,110 A shares beneficially owned by JCC, on 25 February 2016,the Company entered into the A share subscription agreement (the "A Share Subscription Agreement") with JCC, pursuant to which, the Company has conditionally agreed to allot and issue and JCC has conditionally agreed to subscribe for not less than 10% of new A shares to be issued pursuant to the A Share Subscription Agreement (the "A Share Issuance"). According to A Share Issuance and upon adjustment, the maximum number of A Share Issuance was 300,945,829 A shares (subject to adjustment). JCC will subscribe for not less than 10% of the number of A shares to be issued pursuant to A Share Issuance. Completion of A Share Issuance shall be subject to the fulfillment of certain conditions set out in the A Share Subscription Agreement.

*Note 3:* 198,135,000 H shares held by JCC were registered with HKSCC. In addition to the abovementioned 198,135,000 H shares beneficially owned by JCC, on 25 February 2016, the Company entered into the H share subscription agreement (the "H Share Subscription Agreement") with JCC, pursuant to which, the Company has conditionally agreed to allot and issue and JCC has conditionally agreed to subscribe for or its designated wholly-owned subsidiary to subscribe for new H shares amounting to not more than HK$4,150 million in aggregate (the "H Share Issuance"). According to H Share Issuance and upon adjustment, the maximum number of H shares to be issued to JCC or its designated wholly-owned subsidiary were 509,828,009 H shares (subject to adjustment). Completion of H Share Issuance shall be subject to the fulfillment of certain conditions set out in the H Share Subscription Agreement.

*Note 4:* According to the corporate substantial shareholder notice filed by Citigroup Inc. on 28 December 2016, its holdings of H Shares are held under the following capacities:

| Capacity | Number of H Shares |
|---|---|
| Interests in a controlled corporation | 6,159,342(L)<br>6,113,903(S) |
| Custodian corporation/approved lending agents | 75,874,095(L) |
| Persons having a security interest in shares | 16,000(L) |

According to the notice, long position in 5,658,342 H shares and short position in 5,951,035 H shares in the equity interests refer to physically settled unlisted derivative.

*Note 5:* According to the corporate substantial shareholder notice issued by Blackrock, Inc. on 22 December 2016, long position in 628,000 H shares in the equity interests refer to cash settled unlisted derivative.

Save as disclosed above, the register required to be kept under Section 336 of SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 31 December 2016.

## VI. Particulars of controlling shareholder and de facto controller

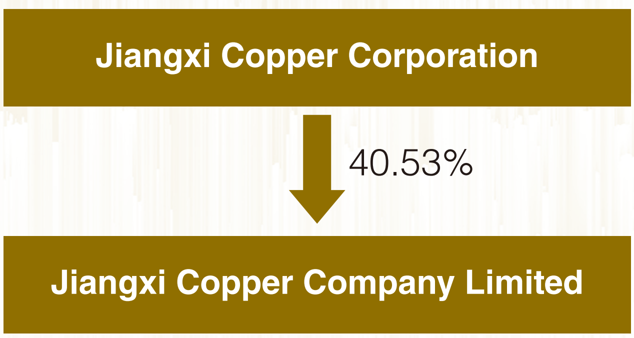
### (I) Particulars of controlling shareholder

| | |
|---|---|
| Name | Jiangxi Copper Corporation |
| Person in charge or legal representative | Li Baomin |
| Establishment date | 1 July 1979 |
| Principal operations | Non-ferrous ores, non-metallic ores and products of non-ferrous metal refining and processing |
| Equity interests in other domestic and overseas listed companies controlled and held by the Company during the reporting period | Jiangxi Copper Group Qibaoshan Mining Co., Ltd., a controlling subsidiary of the parent, owned 555,000 A shares or 0.1% of the total share capital of ST Zhuye (ST 株冶) (SH600961). |
| Other explanations | Nil |

**1. Index of change in controlling shareholder of the Company during the reporting period and the relevant date of change**

During the Reported Period, there was no change in controlling shareholder.

**2. Chart of the equity and controlling relationship between the Company and its controlling shareholder**



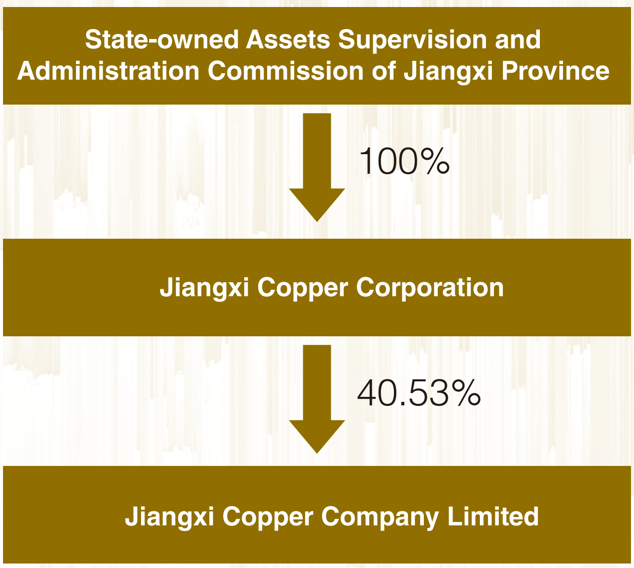
## (II) Particulars of the de factor controller

Name State-owned Assets Supervision and Administration Commission of Jiangxi Province

**1. Change in de facto controller during the reporting period and the relevant date of change**

During the reporting period, there was no change in de facto controller.

**2. Chart of the equity and controlling relationship between the Company and its de facto controller**



## VII. Other legal person shareholders with over 10% shareholding

Saved as disclosed in this report, as at the end of the reporting period, the Company had no other legal person shareholders with over 10% of shareholding of the Company.

## VIII. Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## IX. Purchase, sale or redemption of the Company's listed securities

During the reporting period, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities during the reporting period.

## X. Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association and the PRC law which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## XI. Particulars of Directors, Supervisors, senior management and staff

### (I) Changes in shareholdings and remunerations

#### (1) Changes in shareholdings of existing and resigned Directors, Supervisors and senior management during the reporting period

*Unit: Share*

| Name | Position *(Note)* | Gender | Age | Commencement date of term of office | Termination date of term of office | Shares held at the beginning of the year | Shares held at the end of the year | Increase/ decrease of shares during the year | Reason for increase/ decrease | Total remuneration before tax payable by the Company during the reporting period *(RMB'000)* | Whether get remuneration from elated parties of the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Li Baomin | Chairman/Executive Director | Male | 59 | 4 March 2013 | | 0 | 0 | / | / | 73.55 | No |
| Long Ziping | Vice Chairman/Executive Director | Male | 56 | 14 June 2013 | | 0 | 0 | / | / | 73.55 | No |
| | General Manager | | | 4 March 2013 | | | | | | | |
| Gan Chengjiu | Executive Director/Chief financial officer | Male | 54 | 26 June 2009 | 18 July 2016 | 0 | 0 | / | / | 42.91 | No |
| Wu Jinxing | Supervisor | Male | 54 | 26 June 2009 | 18 July 2016 | 0 | 0 | / | / | 62.89 | No |
| | Executive Director/Chief financial officer | | | 18 July 2016 | | | | | | | |
| Liu Fangyun | Executive Director | Male | 51 | 14 June 2013 | 18 July 2016 | 0 | 0 | / | / | 42.91 | No |
| Wang Bo | Executive Director | Male | 53 | 18 July 2016 | | 0 | 0 | / | / | 30.65 | No |
| Wu Yuneng | Deputy General Manager | Male | 54 | 25 March 2011 | | 0 | 0 | / | / | 63.47 | No |
| | Executive Director | | | 18 July 2016 | | | | | | | |
| Shi Jialiang | Executive Director | Male | 70 | 26 June 2009 | 18 July 2016 | 0 | 0 | / | / | 2.92 | No |
| Gao Jianmin | Executive Director | Male | 57 | 24 January 1997 | | 0 | 0 | / | / | 20 | No |
| Liang Qing | Executive Director | Male | 63 | 12 June 2002 | | 0 | 0 | / | / | 20 | No |
| Qiu Guanzhou | Independent Non-executive Director | Male | 68 | 11 June 2014 | 18 July 2016 | 0 | 0 | / | / | 5.83 | No |
| Sun Chuanyao | Independent Non-executive Director | Male | 72 | 18 July 2016 | | 0 | 0 | / | / | 4.17 | No |
| Zhang Weidong | Independent Non-executive Director | Male | 53 | 19 June 2012 | | 0 | 0 | / | / | 10 | No |
| Deng Hui | Independent Non-executive Director | Male | 45 | 19 June 2012 | 18 July 2016 | 0 | 0 | / | / | 0 | No |
| Liu Erh Fei | Independent Non-executive Director | Male | 58 | 18 July 2016 | | 0 | 0 | / | / | 4.17 | No |
| Tu Shutian | Independent Non-executive Director | Male | 54 | 12 January 2015 | | 0 | 0 | / | / | 10 | No |

*Unit: Share*

| Name | Position *(Note)* | Gender | Age | Commencement date of term of office | Termination date of term of office | Shares held at the beginning of the year | Shares held at the end of the year | Increase/ decrease of shares during the year | Reason for increase/ decrease | Total remuneration before tax payable by the Company during the reporting period *(RMB0'000)* | Whether get remuneration from elated parties of the Company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Hu Qingwen | Chairman of the Supervisory Committee | Male | 53 | 14 June 2013 | | 0 | 0 | / | / | 52.81 | No |
| Lin Jinliang | Supervisor<br>Chief Legal Officer | Male | 52 | 26 June 2009<br>30 August 2010 | 21 March 2016 | 0 | 0 | / | / | 55.69 | No |
| Zeng Min | Supervisor | Male | 52 | 21 March 2016 | | 0 | 0 | / | / | 39.61 | No |
| Liao Shengsen | Supervisor | Male | 56 | 18 July 2016 | | 0 | 0 | / | / | 22 | No |
| Zhang Jianhua | Supervisor | Male | 52 | 18 July 2016 | | 0 | 0 | / | / | 22 | No |
| Xie Ming | Supervisor | Male | 60 | 26 June 2009 | | 0 | 0 | / | / | 52.81 | No |
| Wan Sujuan | Supervisor | Female | 63 | 26 June 2009 | 18 July 2016 | 0 | 0 | / | / | 2.92 | No |
| Dong Jiahui | Deputy General Manager | Male | 54 | 31 March 2009 | | 0 | 0 | / | / | 56.26 | No |
| Jiang Chunlin | Deputy General Manager | Male | 47 | 25 August 2010 | | 0 | 0 | / | / | 56.26 | No |
| Wu Jimeng | Deputy General Manager | Male | 58 | 25 February 2016 | | 0 | 0 | / | / | 51.57 | No |
| Huang Mingjin | Deputy General Manager | Male | 54 | 3 October 2012 | | 0 | 0 | / | / | 56.26 | No |
| Liu Jianghao | Deputy General Manager | Male | 55 | 28 August 2013 | | 0 | 0 | / | / | 56.26 | No |
| Huang Dongfeng | Secretary to the Board | Male | 58 | 28 August 2013 | 31 October 2016 | 0 | 0 | / | / | 46.89 | No |
| Tung Tat Chiu, Michael | Secretary to the Board | Male | 54 | 24 January 1997 | | 0 | 0 | / | / | 5 | No |
| Total | / | / | / | / | / | 0 | 0 | / | / | 1,043.36 | / |

| Name | Major work experience |
|---|---|
| Li Baomin | A senior economist, is the secretary to the Party Committee and Chairman of the Company and a representative of the 12th National People's Congress. He had held various management positions in JCC. Mr. Li has extensive management experience. He graduated from the Faculty of History of Jiangxi Normal University, the Corporate Management College of Fudan University and postgraduate programme of economics of Jiangxi Provincial Party Committee College. Mr. Li was elected as the Chairman of the Company on 4 March 2013. |
| Long Ziping | A senior engineer, is currently the general manager of the Company. Mr. Long graduated from Jiangxi Institute of Metallurgy majoring in smelting, and from Central South University of Technology as a postgraduate majoring in metallurgy engineering. Mr. Long had served at various operation and management positions including the deputy chief engineer and the head of Guixi Smelter Factory, the deputy manager of JCC and executive Director of the Company. He has extensive experience in operation and management. |
| Gan Chengjiu | A senior accountant, graduated from Zhejiang Metallurgical and Economics Technical School majoring in accounting and from Jiangxi University of Finance and Economics. He had been the Head of Financial Department of the Company and the Chief Accountant, Chief Financial Officer and executive Director of JCC. Mr. Gan has extensive experience in finance, accounting and assets management. |
| Liu Fangyun | A senior accountant, graduated from Mining Machinery of Kunming Industry University with a bachelor's degree, is currently the Chairman of the Labour Union and a manager of Chengmenshan Copper Mine and Dexing Copper Mine of the Company. He has abundant experience in mine management. |
| Wang Bo | A senior political analysis, holds a master degree. He was the deputy secretary to the Party Committee of JCC, and has extensive experience in administrative management. |
| Shi Jialiang | A professor-grade senior engineer. He is a university graduate and graduated from Beijing Iron and Steel Institute with a major in industrial automation. He has served as the vice chairman, general manager, chairman, secretary to the Party Committee and executive director of Xinyu Iron & Steel Co., Ltd. |

| Name | Major work experience |
|---|---|
| Gao Jianmin | Mr. Gao graduated from Tsinghua University. He has been a Director of the Company since its incorporation. Mr. Gao is also a director and the general manager of International Copper Company Limited, a director of Qingling Motors Co., Ltd. and a director and general manager of Silver Grant International Industries Limited. He has extensive experience in finance, industrial investment and development. |
| Liang Qing | Appointed as a Director of the Company in June 2002, Mr. Liang is currently a director and general manager of China Minmetals H.K. (Holdings) Limited. He has abundant experience in international trading and investment. |
| Tu Shutian | Mr. Tu is a professor and a master tutor of the Department of Law, Nanchang University; graduated from Southwest University of Political Science & Law and majored in law; currently serves as the representative of the 12th People's Congress of Jiangxi Province, a member of the Standing Committee of People's Congress of Jiangxi Province, a member of the Commission of Legislative Affairs of Jiangxi Province, member of Legal Advisory Panel of Jiangxi Province, a standing director of China Law Society, the vice chairman of the Law Society of Jiangxi Province, an arbitrator of Nanchang Arbitration Committee; he has extensive expertise and experience in procedural law and civil and commercial law. |
| Qiu Guanzhou | Mr. Qiu is currently a professor at Central South University (中南大學), with a master degree. He acted as the Head of Metallurgy Department of Guangdong Dabaoshan Copper Metallurgy Factory, an assistant professor and a professor of the Department of Mining Engineering of the Central South University of Technology. Mr. Qiu was previously an independent non-executive director of China Daye Non-Ferrous Metals Mining Limited and Zijn Mining Group Co., Ltd. and a non-executive director of L'sea Resources International Holdings Limited. |

| Name | Major work experience |
| --- | --- |
| Deng Hui | Mr. Deng currently serves as a dean, a professor and a tutor of PhD Programme of School of Law in Jiangxi University of Finance and Economics, and a representative of the 12th National People's Congress. Mr. Deng graduated from East China University of Political Science and Law in 1993 with a bachelor of laws degree; Jiangxi University of Finance and Economics in 1999 with Master of Industrial Economics degree and China University of Political Science and Law in 2003 with PhD in Civil and Commercial Law. Mr. Deng has served as a committee member of the Jiangxi Provincial People's Congress Standing Committee; a member of Commission of Provincial Legislative Affairs; one of the Young and Middle-aged Academic Leaders in Colleges of Jiangxi Province (江西省高校中青年學科帶頭人), a member of All-China Youth Federation, the vice chairman of the Provincial Legislative Committee; an executive director of China Securities Law Research Institute as well as the vice director of Nanchang Arbitration Committee. |
| Zhang Weidong | Currently serves as a professor and tutor of the PhD Programme of School of Accounting in Jiangxi University of Finance and Economics. Mr. Zhang achieved Doctor of Management in the Huazhong University of Science and Technology and Postdoctoral of Business Administration in the Economics and Management School of Wuhan University. Mr. Zhang has been selected as a candidate of "Hundred Talents Program of the Chinese Academy of Sciences" in Jiangxi Province, one of the Young and Middle-aged Academic Leaders in Colleges of Jiangxi Province (江西省高校中青年學科帶頭人) and an executive director of the Jiangxi Province Institute of Certified Public Accountants. |
| Liu Erh Fei | Mr. Liu is currently the co-founder of Xintai Asset Management Co., Ltd. Mr. Liu was a senior management in various financial institutions such as Goldman Sachs, Morgan Stanley, Salomon Smith Barney and Bank of America Merrill Lynch. |
| Sun Chuanyao | Mr. Sun is currently a part-time professor and tutor of the PHD Programme in South Central University, the vice chairman of China Non-Ferrous Metals Industry Association Specialists Committee and the chairman of China Mining Association. Mr. Sun was a director, the vice head of institute, the head of institute and the chairman of key laboratory of mineral processing of mining of Beijing Mining and Metallurgy Research Institute. |

| Name | Major work experience |
|---|---|
| Hu Qingwen | Currently serves as the secretary of the Disciplinary Committee and the chairman of the Supervisory Committee of the Company. Mr. Hu is a university postgraduate and has served as chief of departments of the Company including General Planning, Human Resources, Organisation and Management Departments, as well as the secretary to the Party Committee of Guixi Smelter and chairman of the Labour Union of the Company. He has abundant experience in general management. |
| Wu Jinxing | A senior accountant with a master degree, is currently the assistant to general manager of JCC and Supervisor of the Company. He had been the deputy head of the Production and Finance Division and the General Division of the Financial Department of JCC, the deputy head and head of the Financial Department of JCC Import and Export Company, deputy chief accountant and chief accountant of JCC Materials Equipment Company, the manager of the Financial Department of the Company, the Chief Accountant of Dexing Mine of the Company, and the Vice Chief Financial Officer, an executive Director and Chief Financial Officer of the Company. |
| Lin Jinliang | A senior economist, graduated from Central South University of Technology. He is currently in charge of the Legal Affairs of the Company. Mr. Lin served as the Head of the Youth League, Labour and Payroll division, Diversified Business and Administration Section (多元化經營管理處) and Corporate Management Division of JCC respectively. Mr. Lin has extensive experience in corporate management and legal practice. |
| Xie Ming | A senior economist, currently acts as the deputy secretary to the Discipline Committee and the director of the Supervisory Office of the Company. Mr. Xie has served the Company for over 20 years, where he held the positions such as deputy director and a secretary to the Party Committee of Selection Plant of Dexing Copper Mine; a secretary to the Discipline Committee and deputy director of Dexing Copper Mine and secretary to the Party Committee of Yinshan Mining Co., Ltd. He has extensive experience in mining, organization management and efficacy supervision. |

| Name | Major work experience |
|---|---|
| Wan Sujuan | A senior accountant, is currently a Supervisor of the Company. Ms. Wan served as the chief accountant of Jiangzhong Pharmaceutical Factory ( 江中製藥廠 ), a deputy general manager and the chief accountant of Jiangxi Jiangzhong Pharmaceutical (Group) Co., Ltd. (江西江中製藥(集團)有限責任公司), and the director of Jiangxi Zhongjiang Real Estate Co., Ltd. and Jiangzhong Pharmaceutical Co., Ltd. |
| Liao Shengsen | A senior accountant, is currently the general manager of risk control and internal audit department of Jiangxi Copper Company Limited. He was the chief accountant in Guixi Smelter of the Company. |
| Zeng Min | With a bachelor's degree, Mr. Zeng is currently the vice chairman of the Labor Union of the Company. He was a director of the party's office and secretary of Party Committee of JCC Copper Materials Company Limited (江銅銅材公司). |
| Zhang Jianhua | He is currently the general manager of Legal Department of Jiangxi Copper Company Limited and was the deputy director of enterprise management department of Jiangxi Copper Corporation and the vice general manager of plan and development department of Jiangxi Copper Company Limited, and has extensive experience in administrative and legal affairs. |
| Dong Jiahui | A professor-level senior engineer, is currently the vice general manager of the Company. Mr. Dong graduated from Central South University of Technology. He was the director of Dexing Copper Mine and Yongping Copper Mine, and has extensive experience in production and management. |
| Jiang Chunlin | A university graduate, is a senior engineer and registered safety engineer. Currently, he serves as a deputy general manager of the Company. He graduated from the mining department of Hunan Xiangtan Mining Institute (湖南湘潭礦業學院) and had worked at Hukeng Tin Mine, Mine Resources Development Company in Autonomous Prefecture of Kezilesukeerkezi, Xinjiang, Jiangxi Rare Earth and Metals Tungsten Corporation (江西稀有稀土金屬鎢業集團公司) and Yichun Economic Development Zone. He had served as a technician, division head, deputy head of the production department and the director of the department of investment and development. |

| Name | Major work experience |
|---|---|
| Wu Jimeng | Currently serves as the Deputy General Manager of Jiangxi Copper Company Limited. Mr. Wu graduated from Hunan University with Master degree in electrical engineering; used to serve as General Manager assistant in Jiangxi Copper Group Limited and the chairman of Jiangxi Helicopter Industrial & Investment Co., Ltd (江西直升機產業投資管理有限公司). |
| Wu Yuneng | Graduated from Jiangxi Cadre's Institute of Economic Administrators (江西經濟管理幹部學院) majoring in industrial management engineering, Mr. Wu is an economist, and was the general manager of Baoxin Cable Company under Jiangtong Southern Company (江銅南方公司寶興電纜公司), the general manager of Jiangtong Southern Company (江銅集團南方總公司) and the general manager of Jiangxi Copper Trading Company Limited (江銅營銷有限公司), a subsidiary of Jiangxi Copper Company Limited. Mr. Wu has extensive experience in business management and marketing. |
| Huang Mingjin | Graduated from Jiangxi Metallurgy College (江西冶金學院) with a bachelor's degree in non-ferrous metallurgy, Mr. Huang is a professor-grade senior engineer and had been appointed as the head of Guixi Smelter of Jiangxi Copper Company Limited. Mr. Huang currently serves as the deputy general manager of the Company. |
| Liu Jianghao | A professor-grade senior engineer, Mr. Liu graduated from Jiangxi Institute of Metallurgy (江西冶金學院) with a bachelor degree in ore dressing. He served as the chief engineer of the Company and was appointed as the vice chairman and deputy general manager of Northern Peru project in Minerals Jiangxi Copper Mining Investment Company Limited. |
| Huang Dongfeng | A senior economist, Mr. Huang graduated from the faculty of management engineering in Central South University of Technology (中南工業大學). He obtained a certificate in Accounting & Finance issued by Association of Chartered Certified Accountants (ACCA) and was named as a "Gold Medal Board Secretary" by New Fortune Magazine (新財富雜誌). He served as the secretary to the Board and the assistant to general manager of the Company. |

| Name | Major work experience |
|---|---|
| Tung Tat Chiu Michael | The Hong Kong legal adviser of the Company, a senior partner of Tung & Co., Mr. Tung holds a B.A. degree in law and accounting from the University of Manchester, the United Kingdom. He has over 10 years of experience as a practising lawyer in Hong Kong. Mr. Tung joined the Company in January 1997. Mr. Tung is also the company secretary of a number of companies listed in Hong Kong, and the independent non-executive director of a company listed in Hong Kong. |

**(2) Equity incentive of Directors or senior management during the reporting period**

Not applicable

## (II) Engagements of existing and resigned Directors, Supervisors and senior management during the reporting period

**(1) Positions held in shareholders' entities**

| Name | Name of shareholder's entity | Position held at the shareholder's entity | Appointment date | End of term |
|---|---|---|---|---|
| Li Baomin | JCC | Chairman | 4 March 2013 | |
| | JCC | Secretary to the Party | 29 September 2006 | |
| Long Ziping | JCC | Vice Chairman | June 2013 | |

(2) **Positions held in other entities**

| Name | Name of other entities | Position held at other entities |
|---|---|---|
| Gao Jianmin | Qingling Motors Co., Ltd. | Executive Director |
| | Silver Grant International Industries Limited | Director and general manager |
| Liang Qing | Silver Grant International Industries Limited | Independent Non-executive Directors |
| | Sinotruk (Hong Kong) Limited | Independent Non-executive Directors |
| Sun Chuanyao | Central South University | Professor |
| | Northeastern University | Professor and tutor of PhD Programme |
| | University of Science & Technology Beijing | Professor and tutor of PhD Programme |
| | China University of Mining and Technology | Professor |
| | Kunming University of Science and Technology | Professor |
| | Guizhou University | Professor |
| | Henan Polytechnic University | Professor |
| | China Non-Ferrous Metals Industry Association Specialists Committee (中國有色金屬工業協會專家委員會) | Vice chairman |
| | Non-ferrous Metals Society of China Mining Selection Academic Committee (中國有色金屬學會選礦學術委員) | Chairman |
| | China Mining Association Mining Selection Academic Committee (中國礦業聯合會選礦委員會) | Chairman |
| | China Nonferrous Mining Corporation Limited | Independent Non-executive Directors |
| | China Aluminum International Engineering Corporation Limited | Independent Non-executive Directors |
| | Harbin Electric Corporation Jiamusi Electric Machine Co., Ltd. | Independent Non-executive Directors |
| | Beijing General Research Institute of Mining & Metallurgy | Dean |
| | National Main Laboratory of Mining Processing | Supervisor |

| Name | Name of other entities | Position held at other entities |
|---|---|---|
| Liu Erh Fei | Xintai Asset Management Co., Ltd. (信泰資產管理有限公司) | Co-founder |
| | 21 Vianet Group, Inc. (世紀互聯集團有限公司) | Independent Director |
| | Fortunet E-commerce Group Limited (鑫網易商集團有限公司) | Independent Non-executive Director |
| | Qingling Motors Co., Ltd. (慶鈴汽車股份有限公司) | Independent Non-executive Director |
| Zhang Weidong | Jiangxi University of Finance and Economics | Professor and tutor of the PhD Programme |
| Tu Shutian | Department of Law, Nanchang University | Professor |
| | Renhe Pharmacy Co., Ltd. (仁和藥業股份有限公司) | Independent Director |
| Liao Shengsen | China Nerin Engineering Co. Ltd. (中國瑞林工程技術有限公司) | Supervisor |
| | Minmetals Non-ferrous Metals Co. Ltd. (五礦江銅礦業投資有限公司) | Chairman of the Supervisory Committee |
| Huang Jinming | China Nerin Engineering Co. Ltd. (中國瑞林工程技術有限公司) | Director |
| Zhang Jianhua | Chian Southern Rare Earth Group (中國南方稀土集團有限公司) | Director |
| | Jiangxi Hongdu Aviation Industry Co., Ltd. (江西洪都商用飛機股份有限公司) | Director |

## (III) Remunerations of Directors, Supervisors and senior management

*Unit: RMB*

| | |
|---|---|
| Determination procedures for remunerations of Directors, Supervisors and senior management | The Remuneration Committee of the Company formulates proposals or remunerations of Directors, Supervisors and senior management to be submitted to the Board of the Company for approval by voting. |
| Determination basis for remunerations of Directors, Supervisors and senior management | Remunerations for the Directors, Supervisors and senior management of the Company consist of basic salaries and performance salaries, among which performance salaries are calculated based on basic salaries to be received by the Directors, Supervisors and senior management according to assessment of their annual operating results. Remunerations for the Independent Directors are determined according to annual subsidies. |
| Particulars of remunerations payable to Directors, Supervisors and senior management | During the reporting period, remunerations of Directors, Supervisors and senior management were RMB10.4919 million, among which, Mr. Deng Hui, a resigned independent non-executive Director voluntarily proposed not to receive travelling expenses during a seven-month period of term of service for the year 2016 amounting to RMB58,300 (tax inclusive). Therefore, during the reporting period, the remuneration payable to Directors, Supervisors and senior management was RMB10,433,600. |
| Actual total payment of remunerations to Directors, Supervisors and senior management during the reporting period | During the reporting period, Directors, Supervisors and senior management received a total remuneration of RMB10,433,600. |

## (IV) Change in Directors, Supervisors and senior management

| Name | Position held | Change | Reasons for the changes |
|---|---|---|---|
| Gan Chengjiu | Executive Director | Resigned | Other work engagement |
| Liu Fangyun | Executive Director | Resigned | Other work engagement |
| Wu Jinxing | Supervisor | Resigned | Other work engagement |
| Qiu Guanzhou | Independent Non-executive Director | Resigned | Other work engagement |
| Deng Hui | Independent Non-executive Director | Resigned | Other work engagement |
| Wan Sujuan | Supervisor | Resigned | Other work engagement |
| Lin Jinliang | Supervisor | Resigned | Other work engagement |
| Huang Dongfeng | Secretary to the Board | Resigned | Other work engagement |
| Wu Jinxing | Executive Director | Elected | Other work engagement |
| Wang Bo | Executive Director | Elected | Other work engagement |
| Wu Yuneng | Executive Director | Elected | Other work engagement |
| Sun Chuanyao | Independent Non-executive Director | Elected | Other work engagement |
| Liu Erh Fei | Independent Non-executive Director | Elected | Other work engagement |
| Liao Shengsen | Supervisor | Elected | Other work engagement |
| Zeng Min | Supervisor | Elected | Other work engagement |
| Zhang Jianhua | Supervisor | Elected | Other work engagement |

## (V) Explanation on punishments received from security regulatory institutions in the recent three years

Not applicable

## (VI) Directors' and Supervisors' service contracts and interests in contracts

Pursuant to relevant provisions in the Articles of Association of the Company, the term of office of the Chairman and other Directors (including non-executive Directors) is three years commencing from the date of their appointment or re-election and they are eligible for re-election and reappointment. Under Company Law of the PRC, the term of office of Supervisors is also three years and they are eligible for re-election and re-appointment.

None of the Directors or Supervisors or their related entities has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## (VII) Interests of Directors, Supervisors and Chief Executive in shares

As at 31 December 2016, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation as recorded in the register of the Company required to be kept under section 352 of the SFO or 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 of the Listing Rules.

## (VIII) Directors' and Supervisors' interests in competitive business or other interests in material transactions, arrangement or contracts

During the year and as at the date of this report, none of the Directors or Supervisors had any interest in any business which competes or may compete with the business of the Company as required by the Listing Rules.

As at 31 December 2016 or at any time during the reporting year, none of the Company or its holding company or its subsidiaries entered into any transactions, arrangements or contracts of significance in which the Directors or Supervisors was either directly or indirectly materially interested.

## (IX) Employee information of the parent and its major subsidiaries

### (1) Employee information

| | |
|---|---|
| Number of in-service employees in the parent | 16,209 |
| Number of in-service employees in major subsidiaries | 5,280 |
| Total number of in-service employees | 21,489 |
| Number of employees retired for whom the parent and major subsidiaries have to pay pension | 0 |

**Specialty composition**

| Category | Headcount |
|---|---|
| Production | 16,834 |
| Sales | 335 |
| Technician | 2,007 |
| Financial | 395 |
| Administration | 1,918 |
| Total | 21,489 |

**Education level**

| Category | Headcount |
|---|---|
| Post-secondary and above | 7,390 |
| Technical secondary and senior secondary | 8,883 |
| Junior secondary and below | 5,216 |
| Total | 21,489 |

### (2) Remuneration policies

In 2016, the Company continued to adopt a position-performance payroll mechanism and based on the principle of division of labour, made remuneration distribution according to value of position, work techniques and results. Staff remunerations, mainly including position salaries, performance salaries and other welfare, were released based on assessment with reference to operating performance, management obligation, etc.

### (3) Training plan

The Company will formulate a practical training plan by integrating development strategies as well as production and operation mission of the Company, so as to provide talent support and guarantee for realization of new strategic target of the Company. The Company has established three career paths for talents in management, professional techniques and skills for employees. The Company has established a series of regulatory system on training such as the Administrative Measures of Jiangxi Copper Company Limited on Staff Education and Training (《江西銅業股份有限公司員工教育培訓管理辦法》) and the Administrative Measures on Training Fund (《培訓經費管理辦法》), striving to build an all-round, multi-angle and multi-functional staff education and training system based on "learning, evaluation and practice" for the purpose of creating a promotion and career development platform, on which employees are assigned to positions based on their strengths in fair competition.

## XII. Ordinary share profit distribution plan or plan to convert capital reserves into share capital

### (I) The formulation, implementation or adjustment of the cash dividend policy

1. Profit distribution principle: the Company distributes dividend annually. It may distribute interim or special dividend provided that it is in compliance with the Articles of Association. The dividend distribution policy of the Company should maintain certain continuity and steadiness, and be in compliance with relevant regulatory requirements which amend from time to time.

2. Profit distribution method: the Company distributes dividend by ways of cash, shares or a combination of cash and shares, in which cash dividend will be a priority.

3. Profit distribution plan: Under the conditions that the Company's accumulated distributable profit is a positive figure, there is profit of the year, the cash can satisfy normal production and operation of the Company, earnings per share of the year is above RMB0.01, and the cash dividend per share is above RMB0.01 if no less than 10% of the distributable profit of the year is distributed, then the distributed profit in cash shall not be less than 10% of the distributable profit of the year. For the last three years, the accumulated distributed profit in cash shall be no less than 30% of the average annual distributable profit in the last three years.

4. The profit distribution plan proposed by the Board should obtain agreement from over half of all the independent Directors, and shall submit to the shareholders' meeting of the Company for approval after the consideration and approval of the Board. The shareholders' meeting of the Company should communicate with the minority and obtain adequate opinions from them while considering the cash dividend plan.

5. Should the Company have profit but the Board have not made any cash dividend proposal, then such reasons should be disclosed in the periodic reports and the usage of the undistributed fund in the Company. Independent Directors should issue their independent opinions to such matter.

Pursuant to the requirements of the Company Law and the Notice in relation to Matters concerning Further Implementation of Cash Dividend Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend Distribution of Listed Companies (《上市公司監管指引第3號–上市公司現金分紅》) issued by CSRC and the Notice regarding to the Re-issue of Notice in relation to Matters concerning Further Implementation of Cash Dividend Distribution of Listed Companies (《關於轉發〈關於進一步落實上市公司現金分紅相關事項的通知〉的通知》) and other documents issued by Jiangxi Securities Regulatory Bureau, the Company considered and approved the resolution of the Dividend Policy and 3-Year Plan of Shareholders' Return of Jiangxi Copper Company Limited (2016–2018) at the 2016 first extraordinary general meeting convened on 18 July 2016.

The 2016 Profit Distribution Plan of the Company will be implemented pursuant to the Dividend Distribution Policy and 3-Year Plan for Shareholders' Return of Jiangxi Copper Company Limited (2016–2018). The Board has recommended distribution of a final dividend of RMB0.15 per share (inclusive of tax) for 2016 to all the shareholders. The Board did not recommend transfer of capital reserve to share capital or issue of bonus shares. Independent Directors of the Company have expressed independent opinions on the profit distribution plan.

## (II) Plans or proposals for ordinary share profit distribution or transfer of capital reserve to share capital of the Company in the last three years (including the reporting period)

*Unit: Yuan Currency: RMB*

| Year | Number of bonus shares for every 10 shares (share) | Dividend for every 10 shares (RMB) (tax inclusive) | Number of shares transferred to capital reserve for every 10 shares (share) | Cash dividends (tax inclusive) | Net profit attributable to ordinary shareholders of the Company in the consolidated statement during the year of dividend distribution | Percentage in net profit attributable to ordinary shareholders of the Company in the consolidated statement (%) |
|---|---|---|---|---|---|---|
| 2016 | 0 | 1.5 | 0 | 519,409,411 | 787,538,113 | 65.95 |
| 2015 | 0 | 1 | 0 | 346,272,941 | 637,218,130 | 54.34 |
| 2014 | 0 | 2 | 0 | 692,545,881 | 2,850,649,245 | 24.29 |

## (III) Share buy-back by cash offer recognized in cash dividends

Nil

## (IV) If the Company records profits and the distributable profit to ordinary shareholders is positive during the reporting period but there is no proposal for cash dividend, the Company shall disclose the reasons, the usage and planned use of the undistributed profits in detail.

Not applicable

**Withholding and payment of enterprise income tax for non-resident enterprise shareholders**

Pursuant to the "Enterprise Income Tax Law of the PRC"(《中華人民共和國企業所得稅法》) and the relevant implementing rules which came into effect on 1 January 2008 and the "Notice of the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which are Overseas non-resident Enterprises" (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation on 6 November 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H Shares register of members of the Company. Any Shares registered in the names of non-individual registered shareholders (including HKSCC Nominees Limited, other corporate nominees, trustees or other entities and organizations) will be treated as being held by non-resident enterprise shareholder and will therefore be subject to the withholding of the enterprise income tax.

**Withholding and payment of personal income tax for individual H shareholders**

Pursuant to the State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) dated 28 June 2011, and the letter entitled "Tax arrangements on dividends paid to Hong Kong residents by Mainland companies" dated 4 July 2011 issued by the Stock Exchange, the Company is required to withhold and pay the individual income tax in respect of the 2016 final dividends paid to the individual H Shareholders (the "Individual H Shareholders"), as a withholding agent on behalf of the same. However, the Individual H Shareholders may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the Individual H Shareholders are domiciled and the tax arrangements between Mainland China and Hong Kong (Macau).

Pursuant to the aforesaid tax regulations, when the 2016 final dividends is to be distributed to the holders of H Shares whose names appear on the register of members of the Company as at 20 June 2017, the Company will base on the tax rate of 10% to withhold 10% of the dividend to be distributed to the Individual H Shareholders as individual income tax. For non-resident enterprise holders of H Shares, the Company will withhold 10% of the dividend as enterprise income tax according to the relevant tax regulations in line with its previous practice.

If shareholders' names appear on the H Shares register of members, please refer to nominees or trust organization for details of the relevant arrangements. The Company has no obligation and shall not be responsible for confirming the identities of the shareholders. The Company will strictly comply with the laws, and withhold and pay the enterprise income tax and individual income tax on behalf of the relevant shareholders based on the H Shares register of members of the Company as of 20 June 2017. The Company will not accept any requests relating to any delay in confirming the identity of the shareholders or any uncertainties in the identity of the shareholders.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), for dividends received by domestic individual investors from investing in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for domestic individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Pursuant to the Notice on the Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, the company of such H shares shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in H shares listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for domestic individual investors. The company of such H shares will not withhold and pay the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

Should the holders of H Shares of the Company have any doubts in relation to the aforesaid arrangements, they are recommended to consult their tax advisors regarding the relevant tax impacts in mainland China, Hong Kong and other countries (regions) on the possession and disposal of H Shares of the Company.

## XIII. Equity-linked agreement

Saved as the disclosed in this report, there was no equity-linked agreement entered into by the Company.

## XIV. Donation

During the reporting period, the donation made by the Company amounted to RMB818,000.

# Corporate Governance Report

## I. Information on corporate governance

During the reporting period, the Company strictly complied with the Disclosure of Inside Information and Procedures of Internal Control, and standardised its operation in strict compliance with provisions of laws and regulations including the Company Law, the Securities Law and Listing Rules. The shareholders' meeting, the Board, Supervisory Committee, and special committees under the Board duly performed their duties and operated in accordance with law. The Company implemented relevant procedures and disclosure in respect of matters including use of proceeds, significant investments and connected transaction according to relevant rules.

There is no material difference between the corporate governance of the Company and the requirements of the relevant regulations of CSRC.

## II. Corporate governance code

The Company strives to maintain and establish high quality corporate governance.

To the knowledge of the Board, during the reporting period, the Company has been in full compliance with all the code provisions under the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, with the exception of the following deviations:

During the reporting period, potential legal actions which the Directors may face are covered in the internal control and risk management of the Company. As the Company considers that it is unlikely to have additional risks, insurance arrangements in respect of legal action against the Directors have not been arranged as required under code provision A.1.8 of the Code.

The following are the corporate governance practices adopted by the Company.

### (1) Shareholders and general meeting

The Company seeks to ensure that all shareholders, especially minority shareholders, are able to enjoy equal status and exercise their rights and the corresponding obligations effectively and fully. Meanwhile, it seeks to ensure shareholders' rights to know and participate in the Company's significant events of the Company as required under relevant laws, regulations and the Articles of Association.

The convening, holding, resolutions and voting procedures of the shareholders' meetings of the Company were in strict compliance with relevant regulatory provisions of the places where the Company's shares are listed as well as the requirements of the Articles of Association of the Company. All shareholders' meetings of the Company were witnessed by the PRC lawyers with the representative from auditors as the scrutineer.

## (2) Relationship between the Controlling Shareholder and the Company

JCC, being the controlling shareholder of the Company, performs its rights and obligations legally. The economic business between the Company and its controlling shareholder is carried out strictly in accordance with market and commercial principles and follows the approval procedures for connected transactions. The controlling shareholder has not overridden the power of the general meeting to interfere directly or indirectly the operating activities of the Company. The Company is independent from its controlling shareholder in terms of operations, assets, organisation, finance and staff. The Board, the Supervisory Committee and the internal functions of the Company are able to operate independently.

## (3) Directors, the Board and senior management

The Board is mainly responsible for devising the Company's overall strategies such as the development strategies, management structure, investment and financing, budget, financial control and human resources and overseeing the operations of the Company (including reviewing and monitoring the training and continuous professional development for the Directors and senior management personnel and formulating, reviewing and monitoring the code of conduct and compliance manual of employees and Directors). The Board is also responsible for reviewing and monitoring the policies and practices regarding the Company's compliance with laws and regulatory requirements and formulating the operations and disclosures of the Company in accordance with the listing rules or other rules and regulations of places where the shares of the Company are listed and reviewing the financial performance of the Company. In addition, the Board is also responsible for formulating and reviewing the Company's corporate governance policies and practices and reviewing the Company's compliance with the Code and the disclosure in the "Corporate Governance Report".

Duties of the Chairman and the General Manager of the Company were held by different persons. During the reporting period, Mr. Li Baomin served as the Chairman of the Company. The Chairman leads and supervises the operation of the Board and effectively plans Board meetings to ensure that the Board acts in the best interests of the Company. Under the leadership of the Chairman, the Board has adopted sound corporate governance and procedures and taken adequate measures for efficient communication with shareholders. The Chairman implements the Board's decisions and makes daily management decisions. The power and duties of the Board and Chairman of the Company are set out in the Articles of Association in details.

Senior management of the Company comprises the General Manager, the Deputy General Manager, the chief engineer, the chief financial officer, the chief legal officer, secretary to the Board of the Company and other management personnel as determined by the Board. During the reporting period, Mr. Long Ziping served as the General Manager of the Company. The General Manager is responsible to the Board for exercising the following duties: presiding over the production, operation and management work of the Company; organizing the implementation of the Board's resolutions; organizing the implementation of business plan and investment plan for the year; organizing the formulation of fundamental management system of the Company; organizing and formulating the fundamental rules of the Company; proposing the appointment or removal of the Deputy General Manager and the chief financial officer of the Company; appointing or removing management personnel other than who shall be appointed or removed by the Board; and other duties granted by the Articles of Association and the Board.

The Board of the Company comprises 11 Directors, including 7 executive Directors, 4 independent non-executive Directors, of which 2 executive Directors have background of controlling shareholder or the actual controller. Members of the Board have different industrial background and professional knowledge in corporate management, financial accounting, law, mining and metallurgy. For details of the composition of the Board and the biographies of the members of the Board, please refer to the section headed “Directors, Supervisors, senior management and staff” in the chapter “Report of the Board” of this report.

Pursuant to relevant provisions in the Articles of Association of the Company, the term of office of the Chairman and other Directors (including non-executive Directors) is three years commencing from the date of their appointment or re-election and they are eligible for reelection and reappointment.

Currently, the Company has 4 independent non-executive Directors. Among them, Mr. Zhang Weidong is the dean and a professor of Accounting in the School of Accounting in Jiangxi University of Finance and Economics, and an executive director of the Jiangxi Province Institute of Certified Public Accountants. The Board considers that, Mr. Zhang, with his educational background and experience, is in compliance with the requirement set out in Rule 3.10(2) of the Listing Rules which prescribes that at least one of the independent non-executive Directors shall have appropriate expertise in accounting or related financial management.

The Company nominated the Director candidates in accordance with the Articles of Association and relevant regulatory requirements. Candidates for independent directorship may be nominated by the Board, the Supervisory Committee or by shareholders individually or collectively holding 1% or more of the issued shares of the Company carrying voting rights. Candidates for non-independent directorship may be nominated by the Board or the controlling shareholder of the Company.

The Board established the Independent Audit Committee (the Audit Committee), the Remuneration Committee and Nomination Committee:

The responsibilities of the Independent Audit Committee principally covers reviewing and monitoring the performance and procedures of financial reporting as well as the accounting policies and affairs of the Company, making recommendations to the Board on the appointment, re-appointment and removal of external auditors, approving the remuneration and terms of engagement of external auditors and dealing with any issue related to the resignation or dismissal of such auditors, considering and approving the engagement of independent auditors and the related coordination, and reviewing the related work efficiency and performance, serving as a major representative between the Company and the external auditors for monitoring the relationship between those two parties, reviewing the risk management and internal control system of the Company, discussing the risk management and internal control system with the management to ensure the management’s fulfilment of responsibilities in setting up an effective system, and considering major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and management’s response to these findings.

The current Independent Audit Committee comprises 4 independent non-executive Directors, namely, Mr. Zhang Weidong, Mr. Tu Shutian, Mr. Sun Chuanyao and Mr. Liu Erh Fei. Mr. Sun Chuanyao and Mr. Liu Erh Fei were appointed on 18 July 2016 to replace Mr. Qiu Guanzhou and Mr. Deng Hui. Mr. Zhang Weidong is the chairman of the Audit Committee. The Secretary to the Board is also the secretary to the Independent Audit Committee.

The Establishment, improvement and main contents of the relevant work rules of the Audit Committee and the summary report on its fulfilment of duties.

1) The Company had formulated the Work System of the Independent Audit Committee (the Audit Committee), which is responsible to the Board and assumes the duties to review the Company's financial reporting, financial control, internal control and risk management system and oversee the preparation procedures of the Company's financial statements and the completeness of their contents as well as the appointment and removal of the auditors.

2) Summary report on fulfilment of duties of the Audit Committee:

   (1) We convened two meetings in 2016, each of which was attended by all members of the Audit Committee at that period. At one meeting, we reviewed and confirmed the audited 2015 annual report and the accountants' written opinions on the connected transactions, fund appropriation and external guarantees of the Company and made recommendations for the appointment of auditors, whilst at the other meeting, we reviewed and confirmed the 2016 interim report reviewed and confirmed by the accountants and listened to the report on 2016 annual audit work arrangements by the accountants;

   (2) Before the auditors conducted auditing, we have reviewed the annual financial statements for 2016 prepared by the Company, and issued written opinions that such financial statements were in compliance with the PRC GAAP, and agreed to submit such financial statements to Deloitte Touche Tohmatsu Certified Public Accountants LLP for auditing;

   (3) We reviewed matters including the auditing process, auditing findings and auditing adjustments of Deloitte Touche Tohmatsu Certified Public Accountants LLP and believed that the auditing work was executed in strict accordance with provisions of China Standards on Auditing for Certified Public Accountants;

   (4) Upon issue of initial auditing opinions by the auditor, we reviewed again such financial statements prepared by the Company and considered that they were appropriately prepared in accordance with requirements of the PRC GAAP, and truly and completely reflected the Company's financial position as at 31 December 2016, operating results and cash flow for 2016 in relevant material aspects;

(5) We submitted to the Board the summary report on the Company's auditing work for the previous year made by the auditors, considering that Deloitte Touche Tohmatsu Certified Public Accountants LLP executed the auditing work in strict accordance with provisions of China Standards on Auditing for Certified Public Accountants. With sufficient time for auditing and reasonable allocation on auditing personnel, the auditors were competent in respect of execution ability. The audit conclusions issued fully reflected the financial position of the Company as at 31 December 2016 and its operating results for 2016 and were in line with actual situation of the Company.

(6) We recommended to appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) and Deloitte Touche Tohmatsu to be the domestic and overseas auditors of the Company for the year 2017.

*Members of Independent Audit Committee:* Zhang Weidong, Tu Shutian, Sun Chuanyao, Liu Erh Fei

23 March 2017

The responsibilities of the Remuneration Committee mainly include: to provide advice to the Board in respect of the remuneration policies and structure of the Company's Directors and senior management and formulation of remuneration policies through establishment of formal and transparent procedures; to advise the Board in respect of advice on remuneration of management reviewed and approved in response to formulation of enterprise principles and targets; to determine remuneration of all executive Directors and senior management which includes non-monetary benefits, pension rights and compensation; to provide advice to the Board in respect of the remuneration of non-executive Directors; to consider the remuneration paid by similar companies, time and duties devoted as well as employment conditions of other posts within the Group; to ensure that no Director or any of his/her associates determines his/her own remuneration; and to provide other duties specified in the terms of reference of the Remuneration Committee.

The current Remuneration Committee comprises 4 independent non-executive Directors of the Company, namely, Mr. Tu Shutian, Sun Chuanyao, Mr. Zhang Weidong and Mr. Liu Erh Fei. Mr. Sun Chuanyao and Mr. Liu Erh Fei were appointed on 18 July 2016 to replace Mr. Qiu Guanzhou and Mr. Deng Hui. Mr. Tu Shutian is the chairman of the Remuneration Committee. The secretary to the Board is also the secretary to the Remuneration Committee.

Summary report on fulfilment of duties of the Remuneration Committee of the Board:

On 18 March 2016, the Company held the first meeting of the seventh Remuneration Committee, which was attended by all members of the Remuneration Committee at that period, at which the proposal of Remuneration of Directors, Supervisors and Senior Management for the Year 2015 was approved, and recommendations were made to the Board in respect of the above matters.

*Members of Remuneration Committee:* Tu Shutian, Sun Chuanyao, Zhang Weidong and Liu Erh Fei

23 March 2017

The responsibilities of the Nomination Committee mainly include: to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive Directors; to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive.

This session of Nomination Committee is comprised of two executive Directors, namely, Mr. Li Baomin and Mr. Long Ziping, and 4 independent non-executive Directors, namely Mr. Sun Chuanyao, Mr. Tu Shutian, Mr. Zhang Weidong and Mr. Liu Erh Fei. Mr. Sun Chuanyao and Mr. Liu Erh Fei were appointed on 18 July 2016 to replace Mr. Qiu Guanzhou and Mr. Deng Hui. Mr. Li Baomin is the Chairman of the Nomination Committee. The secretary to the Board is the secretary to the Nomination Committee.

Summary report on fulfilment of duties of the Nomination Committee of the Board:

The Company held two Nomination Committee meetings on 22 March and 2 June 2016, respectively. All members of the Nomination Committee at that period attended the meetings, at which the resolution on nomination of Wu Jinxing, Wang Bo, Wu Yuneng, Sun Chuanyao and Liu Erh Fei as Directors of the Company, the resolution on nomination of Wu Jimeng as the Deputy General Manager of the Company and the resolution on nomination of Mr. Wu Jinxing as the Chief Financial Officer of the Company were approved, and recommendations were made to the Board in respect of the said matters.

*Members of Nomination Committee:* Li Baomin, Long Ziping, Sun Chuanyao, Tu Shutian, Zhang Weidong and Liu Erh Fei

23 March 2017

### (4) Supervisory Committee

The Supervisory Committee consists of 5 Supervisors, including 2 employees' representative supervisors. The Supervisors serve for a term of office of three years and are eligible for re-election. The current Supervisory Committee is the seventh Supervisory Committee since the incorporation of the Company.

During the reporting period, the Supervisors exercised its supervising power in accordance with laws, thereby safeguarding the legal interests of shareholders, the Company and its employees.

### (5) Directors' responsibilities on the financial statements

With the assistance of the accounting department, the Directors are responsible for preparing the financial statements of the Company for each financial year and ensuring that, in preparing such financial statements, appropriate accounting policies are adopted and applied and the PRC GAAP and IFRSs are complied, to give a true and impartial view of the financial position and operating results of the Company.

### (6) Independence of the independent non-executive Directors

The Board has received a confirmation letter from each of the independent non-executive Directors in respect of their independence in accordance with the requirements provided under Rule 3.13 of the Listing Rules. The Company considers the current independent non-executive Directors to be independent.

### (7) Board diversity policy

The Board has adopted a diversity policy for the Board members, and the Nomination Committee is responsible for supervising the effectiveness of the measurable targets of the policy.

The Company understands and believes that the diversity policy for the Board members can enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company regards the increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Company has considered a number of aspects for the Board diversity, including but not limited to gender, age, culture, educational background, professional experience, skills and knowledge. All appointments of the Board are based on meritocracy, and candidates are selected objectively having taken full account of the benefits of diversity on the Board.

## III. Peer competition and connected transactions

### (1) Peer competition

During the reporting period, there was no substantive peer competition between the Company and its controlling shareholder, JCC.

### (2) Connected transactions

The Company was established in 1997 through separation of part of the assets from the controlling shareholder, JCC and its subsidiaries from time to time (except the Group). Hence, certain connected transactions are inevitable between the Company and JCC and its subsidiaries from time to time (except the Group). Such connected transactions were in compliance with the market and business principles and followed the approval procedures for connected transactions.

The Company has sought to reduce the connected transactions with JCC and its subsidiaries from time to time (except the Group) since its listing. The types of connected transactions between the Company and JCC and its subsidiaries from time to time (except the Group) have been substantially reduced due to the increasing acquisitions of assets of JCC and its subsidiaries from time to time (except the Group) and the socialization of part of assets of JCC.

For details of the connected transactions conducted between the Company and JCC and its subsidiaries from time to time (except the Group), please refer to the section headed "Material connected transactions" in the chapter of "Significant Events" in this report.

## IV. General meeting overview

| Session of the meeting | Date of convening | Reference of the website specified for information disclosure | Publication date of resolutions |
|---|---|---|---|
| 2015 Annual General Meeting | 29 June 2016 | Website of the SSE: www.sse.com.cn | 30 June 2016 |
| 2016 First Extraordinary General Meeting, 2016 First A Shares Class Meeting, 2016 First H Shares Class Meeting | 18 July 2016 | Website of the SSE: www.sse.com.cn | 19 July 2016 |

Explanation on shareholders' meeting

In 2016, all proposals submitted to the annual general meeting, extraordinary general meeting and class meetings of the Company were considered and approved.

## V. Fulfilment of duties by Directors

### (I) Attendance of Directors at the Board meetings and shareholders' meetings

| | | Participation in Board meetings | | | | | | Participation in shareholders' meetings |
|---|---|---|---|---|---|---|---|---|
| Name of Director | Whether an independent Director | Required attendance in the year | Attendance in person | By telecom communication | Attendance by proxy | Absence | Whether attend not in person proxy for two consecutive times | Attendance in shareholders' meetings |
| Li Baomin (Chairman) | No | 6 | 4 | 2 | 0 | 0 | No | 1 |
| Long Ziping | No | 6 | 4 | 2 | 0 | 0 | No | 2 |
| Gao Jianmin | No | 6 | 4 | 2 | 0 | 0 | No | 0 |
| Liang Qing | No | 6 | 4 | 2 | 0 | 0 | No | 0 |
| Shi Jialiang | No | 4 | 2 | 1 | 1 | 0 | No | 0 |
| Gan Chengjiu | No | 4 | 2 | 2 | 0 | 0 | No | 0 |
| Liu Fangyun | No | 4 | 1 | 2 | 1 | 0 | No | 0 |
| Wu Jinxing | No | 2 | 1 | 1 | 0 | 0 | No | 2 |
| Wang Bo | No | 2 | 1 | 1 | 0 | 0 | No | 1 |
| Wu Yuneng | No | 2 | 1 | 1 | 0 | 0 | No | 2 |
| Zhang Weidong | Yes | 6 | 4 | 2 | 0 | 0 | No | 2 |
| Tu Shutian | Yes | 6 | 4 | 2 | 0 | 0 | No | 1 |
| Deng Hui | Yes | 4 | 2 | 2 | 0 | 0 | No | 0 |
| Qiu Guanzhou | Yes | 4 | 1 | 2 | 1 | 0 | No | 0 |
| Sun Chuanyao | Yes | 2 | 1 | 1 | 0 | 0 | No | 0 |
| Liu Erh Fei | Yes | 2 | 1 | 1 | 0 | 0 | No | 0 |

| | | |
|---|---|---|
| Board meetings convened during the year | | 6 |
| Of which: | On-site meetings | 2 |
| | By telecommunication | 0 |
| | Meetings held on site and by telecommunications | 4 |

### (II) Objection of independent Directors on the Company's relevant events

During the reporting period, no objection was made by the Company's independent Directors to resolutions of Board meetings or other resolutions made by parties other than the Board during the year.

### (III) Model code for securities transaction by Directors

During the reporting period, the Company adopted the Model Code for Securities Transactions by Directors of Listed issuers. Having made specific enquiries to all Directors and Supervisors, the Company confirms that all the Directors and Supervisors have complied with the requirements of the Model Code during the reporting period.

### (IV) Directors' participation in continuous professional development

During the reporting period, according to the requirement of the CSRC and the two stock exchanges, all the Directors of the Company attended the training classes of professional knowledge, participated in the continuous professional development and updated their knowledge and skills, so as to ensure that they can contribute to the Board with the comprehensive information catering to their needs.

Particulars of trainings are set as below:

Mr. Liu Erh Fei, an independent non-executive Director, obtained the qualification of independent Director issued by the SSE in April 2016.

Each Director of the Company has read and earnestly studied the latest securities laws, regulations and rules of Hong Kong and the PRC.

## VI. Major advice and recommendation proposed by the special committees under the Board in fulfilment of duties during the reporting period, and details shall be disclosed in case of disagreements

The Company has established the Working System for Annual Report of the Independent Directors. Work Rules of the Independent Audit Committee (Audit Committee) of the Company also require that all members of the Audit Committee shall be independent Directors. During the reporting period, independent Directors of the Company duly performed their duties, carefully reviewed the connected transactions, appropriation of fund by substantial shareholders and preparation of annual report and issued independent opinions.

## VII. Explanation on the risk in the company discovered by the Supervisory Committee

No disagreement was raised by the Supervisory Committee in the supervision during the reporting period.

## VIII. Particulars of the assessment mechanism for senior management and of the establishment and implementation of incentive mechanism during the reporting period

During the reporting period, the Company submitted the Proposal in relation to Remuneration of the Senior Management for 2016 to the Board. The proposal will be submitted to the 2016 shareholders' meeting for consideration and approval.

## IX. Auditors' Remuneration

For the auditors' remuneration in 2016, please refer to content of "Appointment and removal of the auditors" under section headed "Significant Events" in this report.

## X. Company Secretary

For the year ended 31 December 2016, the company secretaries of the Company had received relevant professional trainings of not less than 15 hours to update their skills and knowledge.

## XI. Shareholders' rights

The Company ensures that all the Shareholders enjoy equal rights and they can fully exercise their rights based on their shareholdings. The Articles of Association of the Company expressly provides that Shareholder(s) holding more than 10% (including 10%) of the issued shares with voting rights of the Company may request the Board to convene an extraordinary general meeting. The convening, holding, voting and relevant procedures are in strict compliance with relevant laws and the Articles of Association of the Company.

The Articles of Association of the Company also expressly provides that Shareholders are entitled to supervise and manage the business and operation of the Company, put forward recommendations or questions, inquire relevant information as well as the rights to know and participate in the Company's significant events. For details of the procedures and methods of inquiry, please refer to the Articles of Association of the Company. The Company values good communication with the Shareholders. The main communication channels of the Company include general meetings, the Company's website and email address, the facsimile and telephone of the secretariat of the Board, which are available for the Shareholders to express their opinions or exercise their rights.

## XII. Investor relations

During the reporting period, the Company attached great importance to build a sound and harmonious investor relation. The Company intensified the communication and interaction with the Shareholders through various channels such as the Company's website, emails, telephone and facsimile, greeted the Shareholder's visits and replied to their letter and calls seriously, and addressed their concerns and inquiries, turning the investors' request and suggestions as an incentive for the Company to grow.

In addition, the websites of the Company and the Stock Exchange contain the information of the Company, the annual reports, interim reports, quarterly reports and announcements and circulars published by the Company. The latest information of the Company is available to the Shareholders and investors.

The Company has uploaded its Articles of Association on the websites of the Stock Exchange (http://www.hkexnews.hk/) and the Company (http://www.jxcc.com/). During the reporting period, the Company made amendments to the Articles in order to (i) reflect the changes of the latest business licence of the Company and the name of the founder member; (ii) reflect the latest amendments to the Companies Law of the PRC; (iii) reflect the relevant regulations of China Securities Regulatory Commission and Shanghai Stock Exchange in relation to online voting at the general meeting and protection of minority shareholders; (iv) amend according to the relevant requirements of the Listing Rules in relation to the meeting of the Board; (v) update the relevant Articles in relation to the disqualification of being an independent non-executive director in accordance with the relevant rules of the Shanghai Stock Exchange and the Stock Exchange; and (vi) clarify the ambiguity relating to the remuneration of the accounting firm to be determined at the general meeting. Shareholders approved the amendments by special resolutions at the annual general meeting held on 29 June 2016. For details, please refer to the circular of the Company dated 30 May 2016.

## XIII. Risk management and internal control

The Board regularly (twice a year) reviews the risk management system for the year 2016 of the Group. The Audit Committee has conducted an evaluation for the Group's management system, and is of the view that the risk management system of the Group is effective and adequate.

The Board regularly (twice a year) reviews the internal control of the Group. During the reporting period, the Board has conducted an evaluation for the Group's internal control. Please refer to the Report on Internal Control as set out in this report and the 2016 Assessment Report on Internal Control disclosed on 30 March 2017 at the website of the Shanghai Stock Exchange for details.

# Environmental, Social and Governance Report

There are two major environmental, social and governance ("ESG") areas: environment and social. Each major area consists of various aspects, including: workplace elements, environmental protection, operating practices and community involvement. For information on corporate governance, please refer to the Corporate Governance Report prepared pursuant to Appendix 14 to the Listing Rules in this annual report. This ESG report discloses the sustainability initiatives of the Company and is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules. Unless otherwise specified, the time frame of this report is from 1 January 2016 to 31 December 2016.

The Company invited stakeholders periodically to identify material aspects and key performance indicators and understand their views. Stakeholders are parties that have interests in or are affected by the decisions and activities of the Company. They include shareholders (including holders of domestic shares and H Shares), business partners, employees, suppliers, distributors, customers, regulators and the public.

Stakeholder engagement is usually achieved through personal interview and various other means including annual general meetings, telephone interviews, seminars, focus groups, questionnaires, online discussions as well as feedbacks and written enquiries collected from shareholders by public relations companies.

In 2016, major areas and aspects that are material in the context of corporate strategy of the Company were prioritised, and relevant prominent issues are set out as follows:

## Workplace elements

### Workplace

The Company has been committed to providing employees with a safe, pleasant, hygienic and neat working environment. The Company provided employees with effective labour protection articles pursuant to the requirements of relevant national laws and regulations, and offered employment protection to employees in strict compliance with the Labour Law (《勞動法》), the Labour Contract Law (《勞動合同法》), the Social Insurance Law (《社會保險法》) and other laws and regulations of the PRC, so as to effectively safeguard the vital interests of the employees, build a harmonious and stable labour relationship and provide appropriate protection system and necessary support for the career development and on-post cultivation of employees.

### Employment relationship and labour standards

In strict compliance with the requirements of the Labour Law of the People's Republic of China (the "PRC") (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) and other laws and regulations and pursuant to the national laws, regulations and policies on human resources and social security, the Company has systematically established a set of rules and regulations on internal human resources management of the Company. The Company was committed to employment in compliance with laws and regulations and prepared its recruitment policies based on the principle of "fair, voluntary and mutual agreement upon negotiation". Examples are: entering into labour contracts with employees; adhering to the employment diversity policy; treating employees of different ethnicities, gender, religious beliefs and from different cultural background fairly and equally; and providing employees with equal opportunities of promotion and career development. The Company forbids the employment of child labour, safeguarded all the rights and benefits of female workers during pregnancy, childbearing and breast-feeding period, and secured the employees' entitlement to paid leave pursuant to the requirements of the national policies on paid leave.

In 2016, the Company continued to adopt a position-performance payroll mechanism and based on the principle of division of labour, made remuneration distribution according to value of position, work techniques and results. Staff remunerations, mainly including position salaries, performance salaries and other welfare, were released based on assessment with reference to operating performance, management obligation, etc.

Extensive and fantastic cultural and sports activities for staff members are the key drivers for promoting the development of corporate culture and stimulating the employees' enthusiasm towards their career. In 2016, the Company organised various cultural and sports activities which enhanced communication and interaction among units.

In 2016, under the activity of "sending warmth in holidays and care every day", the Company visited or expressed sympathy to 1,504 households with employees in difficulty or model workers and granted financial aid and pension of RMB2,256,400; granted financial aid and pension of RMB1,261,900 to 1,231 members of workers' medical mutual aid association for 2016, 13 of which received the maximum amount of financial aid of RMB20,000; initiated the "Autumn Education Sponsorship" and awarded student grants of RMB127,500 to 85 children of employees in difficulty; and handled 343 cases of workers' mutual security claims and condolences in an amount of RMB838,300. Various measures on poverty alleviation delivered care and warmth from the Company as a family to all employees.

In 2016, no violation of the regulations on child labour was found by the Company. In addition, there was no material non-compliance with relevant laws and regulations by the Company which resulted in a significant impact on the Company in terms of remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversification, anti-discrimination, other fringe benefits and welfare, forced labour and other aspects.

## Health and safety

The Company is determined to implement the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), Measures on the Administration and Supervision on Occupational Hygiene of Workplace (Decree No. 47 of State Administration of Work Safety (the "SAWS")) (《工作場所職業衛生監督管理規定》(國家安監總局第47號令)), Measures for the Declaration of Projects with Occupational Hazards (SAWS Decree No. 48) (《職業病危害項目申報辦法》(國家安監總局第48號令)), Measures for the Supervision and Administration of Employers' Occupational Health Surveillance (SAWS Decree No. 49) (《用人單位職業健康監護監督管理辦法》(國家安監總局第49號令)), Interim Measures for Supervision and Administration of the "Three Simultaneities" for Occupational Health at Construction Projects (SAWS Decree No. 51) (《建設項目職業衛生"三同時"監督管理暫行辦法》(國家安監總局第51號令)), the national standard Technical Specifications for Occupational Health Surveillance (GBZ188–2007) (《職業健康監護技術規範》(GBZ188–2007)) and other relevant laws, regulations and policies.

The Company strictly complied with the requirements of laws, regulations and policies mentioned above, striving to provide a safe working environment for all employees and protect them from occupational hazards. In 2016, there was no material violation of relevant codes, regulations and rules by the Company.

In 2016, no incident of work-related fatality occurred in the Company.

In 2016, the monthly average injury rate per 1,000 employees of the Company was 0.045‰.

Measures on occupational health and safety adopted by the Company and relevant implementation and supervisory methods thereof are as follows:

1. In order to enhance the management of basic work relating to occupational health and safety precautions, our regulatory organisation for occupational health and safety precautions staffed by administrative personnel was established and improved.

2. The Occupation Health Safety Management System (GB/T28001:2011)(《職業健康安全管理體系》(GB/T28001:2011)) was established and certified by a third party.

3. Subsidiaries under the Company had established and advanced their management system in relation to occupational health and safety precautions with reference to industry characteristics, and strictly implemented such systems.

4. The Company has opened an occupational health surveillance file for each staff, organised occupational health examination in relevant medical institutions for our employees on a regular basis, and implemented an occupational hazard notification policy.

5. Protection facilities and labour protection articles for occupational hazards were properly prepared for employees according to the nature of their work. Occupational diseases controlling and prevention institution, an independent third party of the Company, was engaged to monitor the occupational hazard factors in the Company and conduct evaluation on the effectiveness of our protection facilities for occupational hazards on a regular basis.

6. Work-related injury insurance and other commercial insurances were provided to our staff, so as to thoroughly safeguard their interests.

In addition, in 2016, to cope with the super El Niño, the Company promptly issued the Notice on the Safety and Environmental Protection Inspection of Flood Control in 2016 (《關於開展2016年防洪度汛安全環保檢查的通知》), which required each unit to strengthen the drill for flood season emergency plan accordingly and prepare emergency relief supplies in advance, so as to ensure a smooth launch of flood control work. Also, the production units of the Company have reinforced the re-evaluation and establishment of safety standardisation. In the first quarter of 2016, Wushan Copper Mine and Yongping Copper Mine passed the re-evaluation of safety standardisation for tailings ponds and mining fields as well as the establishment of safety standardisation for ore separation plants. Currently, all units of the Company have been checked and accepted in accordance with the requirements of Jiangxi Association of Work Safety (江西省安全生產協會). In 2016, the Company has organised various regular training courses for safety management personnel delivered by the leaders of offices and bureaus under Jiangxi Administration of Work Safety and domestic specialists in establishment of safety standardisation to over 80 safety management officers in secondary units of the Company. Such training courses notably reinforced the awareness of hazard investigation and management system for safety management officers at all levels in order to initiate the establishment of such system combining with the actual situation of the Company.

## Development and training

The Company has established three career paths in management, professional techniques and skills for employees and built a promotion and career development platform, on which employees are assigned to positions based on their strengths in fair competition, through various systems and arrangements. The Company has established various regulations and policies on training such as the Administrative Measures of Jiangxi Copper Company Limited on Staff Education and Training (《江西銅業股份有限公司員工教育培訓管理辦法》) and the Administrative Measures on Training Funding (《培訓經費管理辦法》). The Company strives to build an all-round, multi-angle and multi-functional staff education and training system based on "learning, evaluation and practice".

In 2016, under its unified planning, meticulous arrangement and hierarchical organisation, the Company provided various vocational skills training for employees at all levels. Middle-level managers of the Company attended training in different higher education institutions in rotation of three batches to learn about, among others, macroeconomics, corporate management and anti-corruption. The low-level managers of all secondary units attended one-week targeted vocational training based on the requirements of their respective positions. With a view to enhance the skill level of the entry-level employees, the Company initiated 39 specialised skill competitions, 25 of which met or exceeded the respective competition targets.

## Environmental protection

### Emissions

Major wastes disposed by the Company were mine and smelting wastewater, smelting sulphur dioxide, mineral processing tailings and smelting waste residue. In the process of waste disposal, the Company mainly complied with the requirements of the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Air Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (《中華人民共和國固體廢物污染環境防治法》), the national standards such as the Industrial Emission Standard of Pollutants for Copper, Nickel and Cobalt (GB25467–2010) (《銅鎳鈷工業污染源排放標準》(GB25467–2010)) and the Standard for Pollution Control on General Industrial Solid Waste Sites (GB18599–2001) (《一般工業固體廢物貯存、處置場污染控制標準》(GB18599–2001)), and other relevant laws, regulations and policies.

The Company strictly complied with the requirements of the national laws, regulations and regulatory documents on environmental protection and strived to perform environmental protection work, reinforce management, improve the recycling and utilisation of "three types of waste" (wastewater, exhaust gas and solid waste) and cut down the waste disposal. In 2016, there was no material violation of relevant regulations and policies by the Company.

As of the end of 2016, the Company has built a total of over 400 environmental protection devices or device sets, 16 of which were large-scale wastewater treatment plants. The annual operating costs of such environmental protection facilities amounted to RMB600 million. The environmental protection processing systems of the productions units of the Company have been basically completed and fulfilled the discharge standards, being in a leading position in the industry nationwide.

The Company is the first in the country who applies the high density slurry treatment technology (HDS) to the treatment of acidic wastewater from mines and uses the technology of extracting copper by vulcanization to retrieve copper from wastewater. Electrochemical method is used for the treatment of smelting wastewater. In addition, through transformation and construction of mining and smelting water return systems of the Company, the reuse rate of industrial water increased from 80% in 2005 to 94% as at the date hereof. The reuse rate of industrial water from smelting exceeded 97%, which reduced consumption of fresh water and discharge of wastewater, thus turning wastewater into resource.

Sulphur dioxide gas emitted by the Company is processed by the "double conversion and double absorption" method to retrieve sulphur in the flue gas from smelting and produce sulphuric acid products for external sale. By way of desulfurization for sulphur dioxide in the exhaust of sulphuric acid by activated coke dry desulfurization technology and organic amine desulfurization technology, the emission of sulphur dioxide gas fulfils the emission requirements under the Industrial Emission Standard of Pollutants for Copper, Nickel and Cobalt (《銅鎳鈷工業污染物排放標準》). To reduce the impact of flue gas emission on the environment, the Company captured smelting soot by dynamic wave washing, electric dust precipitation, bag filter dust collection and other means, and made integrated use of such soot so captured, hence achieving "harmless" flue gas emission.

In terms of prevention and control of solid waste, the Company actively initiated integrated usage of such waste to retrieve valuable elements and disposed of other residue in a safe and secure way, so as to achieve "harmless" prevention and control of solid waste. In compliance with the national standards, the Company has built many large-scale spoilbanks and tailings ponds as secure places to store waste rock and tailings arising from ore selection process as a reserve of resource for further development at a later stage as opportunity arises. The smelting and processing enterprises under the Company produced hazardous solid waste of approximately 180,000 tonnes per year. Of which, 160,000 tonnes were for integrated usage within the enterprises, while 20,000 tonnes were transferred or sold to external parties, hence achieving 100% utilisation of hazardous solid waste.

### Use of resources

In 2016, as a result of the reinforce onsite management, strict execution of the operating procedures, optimisation of main processes, implementation of technical transformation of major equipment and improvement of strength and technical level of equipment maintenance, the equipment operation of the production units of the Company was in good condition, while the operating rates of major equipment remained at an outstanding level. In respect of effective use of resources (including energy, water and other raw materials), the Company strictly implemented the Law on the Water Resources of the PRC (《中華人民共和國水利法》), the Law on Power Generation of the PRC (《中華人民共和國電力法》), the Energy Law of the PRC (《中華人民共和國能源法》), the Law on Energy Conservation of the PRC (《中華人民共和國能源節約法》) and other relevant laws and regulations.

In 2016, the Company consumed electricity of 3,421,300,000 kWh, coal of 6,347 tonnes, diesel of 50,319 tonnes, petrol of 438 tonnes, fuel oil of 14,056 tonnes, natural gas of 38.76 million cubic meters and liquefied gas of 172 tonnes in total.

In 2016, the Company used natural gas in pipeline instead of liquefied petroleum gas and saved total energy consumption of approximately 22,213 tonnes of standard coal per year.

In 2016, the total amount of water consumed by the Group was approximately 76,740,000 tonnes.

The Company did not have problems in seeking appropriate water resources. The existing supply of water resources was able to satisfy the Company's needs in the aspects of volume, quality of water and the guarantee of water supply facilities.

## The environment and natural resources

The Company is an enterprise engaged in mining, selection, smelting and processing of nonferrous metals and mineral products. In the process of producing cathode copper products, the Company consumed mineral resources and used natural resources including the land, and generated waste which may affect the environment to some extent. The Company legally obtained and used natural resources strictly pursuant to the requirements of the relevant laws and regulations including the Law on Mineral Resources of the PRC (《中華人民共和國礦產資源法》), The Land Administration Law of the PRC (《中華人民共和國土地管理法》), and the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). Therefore, the Company consistently increased its capacities on comprehensive recycling and utilisation of natural resources, decreased the natural resources consumption and the disposal of various kinds of waste, and reduced the material influence of the Group's operation on the environment and natural resources.

According to the Notice of the National Development and Reform Commission on Organizing the Work Report on Greenhouse Gas Emissions of Key Enterprises (Institutions) (Fa Gai Qi Hou Document No. [2014] 63) (《國家發展改革委關於組織開展重點企(事)業單位溫室氣體排放報告工作的通知》(發改氣候[2014]63號檔)) and the requirements of the provincial development and reform commission, in September 2016, the Company completed the report on greenhouse gas emissions of other non-ferrous metal smelting and rolling processing enterprises for the three years from 2013 to 2015. According to the requirements of the energy work plan for 2017, the Company organised training courses on carbon emissions trading, energy efficiency assessment and energy audit. The Company was devoted to the corporate philosophy of preservation of resources of all personnel, reduction of waste disposal and protection for the ecological environment. The Company increased investment in new skills and techniques and improved the technical skills of the enterprise. Moreover, it formulated incentive policies and concrete measures of comprehensive use of resources, technological innovation, energy saving and emission reduction. Through consistently promoting the enterprise to achieve effective utilisation and saving resources as well as environment protection pursuant to the laws, the environment of mining plant areas were constantly improved and put on the path of sustainable healthy development.

## Operation practices

### Supply chain management

Since the establishment of the Company, the production volume has doubled successively, which provided plentiful business opportunities for suppliers. Therefore, the Company has established strategic partnership with many well-known enterprises at home and abroad. The development of the Company has also facilitated the success of related industries.

Supply chain management is always one of the key links in the Company's quality control system. The Company keeps a close eye on product quality risk management and attaches great importance to product compliance.

To ensure the quality of all raw materials, equipment and spare parts supplied, the Company has established a supplier management system in strict compliance with the relevant laws and regulations of the PRC. Standardised management is implemented on procurement of raw materials, equipment and spare parts under an increasingly well-established management system.

The Company exercises a high level of scrutiny over the selection of suppliers. Based on adequate qualifications, suppliers are subject to assessment and on-site audits on product quality as well as suitability and quality consistency tests made by our quality department. Suppliers must pass the audits and assessment before being included into the "Qualified Supplier List". Procurement shall only be made by the Company from the suppliers on such list. The Company also carries out long-term quality monitoring and regular reviews on all suppliers. In case of a significant change in supplier qualification or serious quality issue, the Company may suspend delivery of the supplier in question immediately and, if necessary, cancel its qualification as a qualified supplier to ensure the product quality of the Company.

### Product liability

The Company believes that a brand in excellence is built upon first-class quality. Since establishment, the Company adheres to the ideology of "enterprise flourishes with quality" and the concept of "quality comes from the details" to strength its quality control and establish a modern quality control system. The Company has been awarded the National Excellent Management Organization Award, the National Advanced Unit in Quality Work, the first Jiangxi Jinggang Quality Award, the Advanced Unit in Measurement Work in Jiangxi Province and other honours.

The Company recognises the interests of customers and its credibility as the support for its long-term development. The Company actively handles all complaints from customers no matter if they are minor or major issues. Also, the Company promptly deals with opposition against quality by establishing the material and product quality dispute handling committee. The Company has established a nationwide marketing network with the headquarters as the centre and covering South China, East China, Southwest China and North China. Moreover, the Company convenes user forums every year and engages authoritative agencies to conduct third party user satisfaction survey to obtain information on the improvement of product quality.

The Group also endeavours to ensure the protection and proper use of customer information. The Group has complied with the relevant national laws and regulations when collecting, processing and using such information in the course of business.

In 2016, to the knowledge of the Group, there was no material non-compliance of the laws and regulations on product liability which resulted in a significant impact on the Group.

### Anti-corruption

Anti-corruption is a major political task of the Company, and also an important assurance for its long-term stable development. In compliance with the relevant laws, regulations and requirements of the country with reference to its actual situation, the Company has established the disciplinary system, specified the division of responsibilities, strengthened the application of the results and improved the complete chain of responsibility breakdown, inspection and supervision and pursuit of liability after investigation, so as to ensure the thorough implementation of the anti-corruption tasks.

The Company established a team for the supervision and management of anti-corruption, which comprised of departments such as discipline inspection and supervision, labour union, auditing and finance, to carry out supervision and inspection on the procurement, project construction, bidding and tendering, procedures for examination and approval, and implementation of mechanism of the Company on a regular basis.

In 2016, the Company reinforced its system which targeted at the existing issues. Such system integrated performance monitoring and corruption risk prevention management by system implementation and improvement as well as supervision on processes and key points, so as to ensure that the personnel responsible for management and supervision duly performed their respective duties. Meanwhile, the Company actively initiated the performance monitoring on the procurement of materials by its units.

In 2016, to the knowledge of the Group, there was no material non-compliance of the laws and regulations on bribery, extortion, fraud and money laundering which resulted in a significant impact on the Group.

## Community involvement

### Community investment

The Company is engaged in and supports the welfare undertakings such as education, public health, culture and sport in the cities and towns where the employees' communities and the enterprises locate mainly through charitable donations.

In 2016, the Company strived to perform and assume its corresponding community obligations and social responsibilities. As our economic scale has been expanding, we bear in mind that we assume the following social responsibilities:

**Targeted poverty alleviation:** The Company has established a targeted assistance mechanism with project constructions as the major task supplemented by poverty alleviation in industry, education and culture. Targeted poverty alleviation provides financial assistance to poor families in the community, and also solves employment issues for families in difficulty and raises their income, realising the transition from "feeding them with a fish" to "teaching them how to fish".

**Charitable donations:** For the previous major disasters, the Company performed its social responsibilities by selfless disaster relief, assistance to those in danger and distress, and rescue for orphans and the disabled. From 2010 to 2016, the Company has donated over RMB100 million in total for public welfare such as provision of student grants, medical assistance, helping the poor, cultural assistance, disaster relief and new countryside construction in the neighbouring communities of the Company and its subsidiaries. Also, the Company has conducted a sample survey and post-donation evaluation on the charitable projects implemented in the recent years by discussion, field trips and other means and prepared post-charitable-project evaluation and analysis reports.

**Driving local economic development:** As a leading enterprise in the places of its operations, the Company plays an important role in driving the sustainable and sound economic development, solving employment issues and promoting the development of related industries thereof.

# Internal Control

## I. Statement on the responsibility of internal control and establishment of internal control system

The Board and all Directors warrant that there are no false representations, misleading statements contained in or material omissions from this report, and jointly and severally accept the responsibility for the truthfulness, accuracy and completeness of the information herein contained. It is the responsibility of the Board to establish a sound internal control, implement it effectively, and evaluate its effectiveness. The Supervisory Committee is responsible for supervising the establishment and implementation of internal control by the Board while the management is responsible for organising and guiding the daily operations of the Company's internal control.

Jiangxi Copper Company Limited had established, and effectively put into practice, a more comprehensive and systematic internal control system that catered to the operational features of the Company in 2011. Through the design, operation, evaluation and continuous improvement of the internal control system, the Company continuously optimised the administrative duties of internal control as well as corresponding specifications. By so doing, it standardised its countermeasures against risks, enhanced the management of internal control of the Company and continuously improved the operational efficiency and outcome so as to facilitate the implementation of its development strategy.

The objectives of the Company's internal control are reasonable assurance of operation and management in compliance with laws and regulations, asset safety, truthfulness and completeness of financial report and relevant information, improvement of operation efficiency and results, as well as promotion of development strategy. Due to inherent limitations of internal control, it can only provide reasonable assurance for achievement of above objectives. In addition, changes in circumstances may lead inadequacy of internal control or reduction of the adherence of control policies and procedures, thus it has certain risks in effectiveness of future internal control inferred with the evaluation results of internal control.

### (I) Conclusions on the evaluation of internal control

According to the identification criteria of material deficiency of internal control in the financial reporting of the Company, as at the basis date of internal control evaluation report, material deficiency of internal control in the financial reporting did not exist. The Board is of the view that the Company has maintained efficient internal control in the financial report in all material respects in accordance with requirements of corporate internal control standard system and relevant regulations.

According to the identification of material deficiency of internal control in the non-financial reporting of the Company, as at the basis date of internal control evaluation report, material deficiency of internal control in non-financial reporting did not exist.

There was no factor affecting conclusion to the evaluation of efficiency of internal control from the basis date of internal control evaluation report to its issue date.

## (II) Evaluation of internal control

### (I) Evaluation scope of internal control

The Company determined to incorporate major units, business and matters as well as high-risk fields into the evaluation scope pursuant to risk-oriented principle. The major units within the evaluation scope comprise several units, including the headquarters of the Company, Dexing Copper Mine, Guixi Smelter, Chengmenshan Copper Mine, processing business, Jiangxi Copper Yates Copper Foil Company Limited, Jiangxi Copper Shanghai Trading Company Limited, Jiangxi Copper International Trade Company Limited and Jiangxi Copper Shenzhen Trading Company Limited and other units.

Total asset of the units being incorporated in the evaluation scope accounted for 100% of the total asset in the consolidated financial statements of the Company, with the total operating revenue accounted for 100% of the operating revenue in the consolidated financial statements of the Company for the year. Principal business and items which were incorporated in the evaluation scope included: procurement management, sales management, production and inventory management, financial derivatives instrument management, financial reports and investment management. Mainly focus on credit sales management, financial derivatives instrument management and inventory investment.

The above-mentioned units, business and items, which were incorporated in the evaluation scope, comprised the Company's major aspects of operation and management. There is no significant material omission and no statutory exemption.

### (II) Basis of internal control evaluation and standard of deficiency identification in internal control

The Company organized the work of internal control evaluation pursuant to "Internal Control Manual of Jiangxi Copper Company Limited" (江西銅業股份有限公司內部控制手冊) and "Internal Control Evaluation Implementation Scheme for the Year 2016 of Jiangxi Copper Company Limited" (江西銅業股份有限公司2016年度內部控制評價實施方案).

In accordance with the requirements of the Corporate Internal Control Standard System on identification of material defects, major defects and general defects and combined with the Company's size, industry characteristics, risk appetite, risk tolerance and other factors, the Board made a distinction between internal control over financial reporting and internal control over non-financial reporting, studied and established a specific defect identification standard which was applicable to internal control of the Company and consistent with those in the previous years. The internal control defect identification standard in the financial report identified by the Company is as follows:

1. Standard of identification for internal control defects in the financial statements

**Identification quantitative standard for internal control defect in the financial statements of the Company is as follows:**

| | |
|---|---|
| Material defects: | Misreported amount is greater than 10% of the audited net profit of the Company for the last accounting period. |
| Major defects: | Misreported amount is greater than 6% and smaller than 10% of the audited net profit of the Company for the last accounting period. |
| General defects: | Misreported amount is smaller than or equal to 6% of the audited net profit of the Company for the last accounting period. |

**Identification qualitative standard for internal control defect in the financial statements of the Company is as follows:**

| | |
|---|---|
| Material defects: | (1) The Directors, Supervisors and senior management are found to have fraud behavior; (2) ineffective internal control environment; (3) the Company corrects the published financial reports; (4) the certified public accountant identifies material misstatement in the current financial report which has not been identified during the operation of the internal control; (5) the supervision of the Company's Audit Committee and Department of Audit over the internal control is proved to be ineffective. |
| Major defects: | (1) Correction of the misstatement in the financial report, which does not reach or exceed the level of importance but is still worth the attention of the Board and the management; (2) internal control defects which have occurred and reported to the management are not corrected on time. |
| General defects: | Nil |

2. Identification criteria for defects in internal control over non-financial reporting matter

**Quantitative criteria for identifying defects in internal control over non-financial reporting:**

| Name of indicators | Quantitative criteria for material defects | Quantitative criteria for major defects | Quantitative criteria for general defects |
|---|---|---|---|
| Investment on time, personnel and costs; | For material business failure, remarkable consideration (over 20% budget of investment on time, personnel and costs) shall be paid in order to control the situation, or the uncontrollable situation brought about material impact on survival of the enterprise | Ranging from major defects to general defects | Certain impact on the operation. The situation can be controlled by paying relatively fewer consideration (within 6% budget of investment on time, personnel and costs) |
| Key operating targets or results indicators | Risks resulted in failure of the overall Company to achieve its part of key operating targets or results targets. For any one of the unachieved targets with completion rates lower than 90%, or the departments/ units failed to achieve its all key operating targets or results indicators; | | |
| General business/ discontinuous days of operation from departments/ units | General business/discontinuous operation from departments/ units reached 3 days or above influenced by risks due to factors such as equipment, personnel, system and natural disasters | Ranging from major defects to general defects | General business/discontinuous operation from departments/ units was four hours or below influenced by risks due to factors such as equipment, personnel, system and natural disasters may recover promptly |
| Loss of assets | Greater than or equal to over 8% of the audited net profit in the recent accounting year | Ranging from major defects to general defects | Lower than 6% but greater than or equal to 4% of the audited net profit in the recent accounting year |

| Name of indicators | Quantitative criteria for material defects | Quantitative criteria for major defects | Quantitative criteria for general defects |
|---|---|---|---|
| Net assets | 1. Seriously breaching laws and regulations, resulting in investigation by the central government or regulatory institutions and causing punishment; 2. Significant commercial disputes, commercial disputes, civil litigations or arbitration; target amount reached 8% of the audited net assets in the recent accounting year of the Company; | Ranging from major defects to general defects | 1. In breach of laws and regulations, resulting in investigation, litigation or punishment on prefecture-level government department may exist the problem of slight violation of regulations; mostly verbal warning; 2. normal commercial disputes, civil litigations or arbitration; target amount was lower than 6% but greater than or equal to 4% of the audited net assets in the recent accounting year of the Company; |
| Number of deaths | One incident resulting in more than three deaths | Ranging from major defects to general defects | One incident resulting in 3 persons below suffering from serious injuries (including acute industrial poisoning) |

**Qualitative criteria for identifying defects in internal control over non-financial reporting:**

Material defects: (1) Negative information spreads across the nation, and the central government departments or regulators pay high attentions or start an investigation, or the information becomes a great concern of the official and mainstream media; (2) the enterprise needs more than 1 year to restore the reputation; (3) irreparable environmental damage that can be catastrophic or the environmental events as defined in Emergency Countermeasures for Environmental Incidents of the PRC (《國家突發環境事件應急預案》); (4) the situation is named by the national administrative department on environmental protection and is requested to suspend production for rectification; (5) seriously impair the interest of employees and influence their overall working efficiency; (6) individual or collective appeal of the staff to Beijing, which has bad influences; (7) more than 5% of the key technical staff and management run off (intermediate level including the intermediate level technician/managerial personnel at middle level above in the secondary units).

| | |
|---|---|
| Major defects: | Between the material defects and general defects. |
| General defects: | (1) Negative information has little damage to the corporate reputation or not attracted the attention of the media; (2) the corporate can rapidly defuse the impact brought by the negative information; (3) administrative penalty by the environment authorities in the districts; (4) has certain or temporary impact on the environment or society, but not damage the ecosystem; (5) draws attention of the relevant authorities of the government/or needs to inform the relevant authorities of the government, and does not need to take practical actions but need to pay close attention; (6) influences the working enthusiasm of the staff to some extent and lower their working efficiency; (7) individual or collective appeal of the staff to the parent company, which has adverse impact on the corporate culture, corporate cohesive force to some extent; (8) less than 1% of the key technical staff and management run off. |

## II. Explanations on relevant matters of internal control audit report

The Company disclosed a standard unqualified Internal Control Audit Report for 2016 issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership), the auditor for internal control. For details, please refer to the websites of the SSE and the Company.

Whether to disclose internal control audit report: Yes

# Corporate Bonds

## I. Basic information of corporate bonds

*Unit: Yuan Currency: RMB*

| Name | Abbreviation | Code | Issue date | Maturity date | Balance | Interest rate | Method of repayment | Transaction location |
|---|---|---|---|---|---|---|---|---|
| 08 JCC bonds | 08 JCC bonds | 126018 | 22 September 2008 | 22 September 2016 | 6.8 billion | 1.00% | The principal is repaid in a lump sum on maturity and the interest is paid annually during the term of the bond. The last payment of interest will be made together with the principal. | Shanghai Stock Exchange |

Interests payment and bonds repayment of the Corporate Bonds

The Company made the one-off payment of principal of bonds and the last payment of interest on 22 September 2016.

## II. Contact information of trustee of corporate bonds and credit rating agency

| | | |
|---|---|---|
| Trustee of bonds | Name | China International Capital Corporation Limited |
| | Business address | 27–28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Beijing, the PRC |
| | Contact | Xu Kang, Du Yiqing |
| | Tel | 010–65051166 |
| Credit rating institution | Name | China Chengxin Securities Credit Rating Co., Ltd.* |
| | Business address | Floor 14, Tower C, Zhaoshang International Financial Center, No. 156, Fuxingmenwai Avenue, Xicheng District, Beijing, the PRC |

Other explanation:

The trustee of the bonds and credit rating institution engaged by the Company remained unchanged during the reporting period.

## III. Use of proceeds from bonds issuance

Please refer to the 2016 Proceeds Raising Report of Jiangxi Copper Company Limited disclosed at the Shanghai Stock Exchange on 30 March 2017.

## IV. Information on credit rating institution of corporate bonds

On 20 April 2016, China Chengxin Securities Credit Rating Co., Ltd.* was engaged by the Company to conduct credit rating on the Company and the "bonds with warrants of Jiangxi Copper Company Limited 2008" issued by the Company: Corporate credit rating was AAA, forward-looking rating was stable; maintained AAA for the credit rating of current bonds. For details, please refer to the credit rating report of Tracking and Credit Rating Report of Convertible Corporate Bonds for Bonds with Warrants of Jiangxi Copper Company Limited for 2008 (2016) published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 22 April 2016.

## V. Credit improving mechanism, repayment plan and other related information for corporate bonds during the reporting period

China Chengxin Securities Credit Rating Co., Ltd.* made no adjustment to the bonds' rating during the reporting period. The Company completed the payment of principal and the last term of interest of 08 JCC bonds on 22 September 2016, and was delisted on the same day.

## VI. Corporate bonds holders' Meetings

During the reporting period, the Company did not convene corporate bonds holders' meetings.

## VII. Duty performance of trustee of corporate bonds

China International Capital Corporation Limited has issued the Special Examination Report Relating to Deposit and Actual Use of Proceeds of Jiangxi Copper Company Limited in 2016 for the Company. For details, please refer to the relevant announcement disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 30 March 2017.

## VIII. Accounting data and financial indicators of the last two years as at the end of the reporting period (prepared in accordance with the PRC GAAP)

*Unit: Yuan Currency: RMB*

| Major indicators | 2016 | 2015 | Increase/ decrease from last year (%) | Reason for changes |
|---|---|---|---|---|
| EBITDA | **4,863,935,376** | 3,902,130,591 | **24.65** | |
| Liquidity ratio | **1.52** | 1.48 | **0.04** | |
| Quick ratio | **0.97** | 1.01 | **-0.04** | |
| Asset-liability ratio | **44.13%** | 46.71% | **-2.58** | |
| EBITDA total debt ratio | **7.93** | 10.74 | **-26.18** | |
| Interest cover ratio | **3.10** | 2.26 | **37.11** | Increase in total profit for the period |
| Cash interest coverage ratio | **6.59** | 3.55 | **85.71** | Increase in cash flow from operating activities for the period |
| EBITDA interest coverage ratio | **5.02** | 4.23 | **18.68** | |
| Loan repayment rate | **100%** | 100% | – | |
| Interest coverage | **100%** | 100% | – | |

## IX. Interest payment for other bonds and debt financing instruments

On 22 September 2016, the Company paid the principal and interest payable of the corporate bonds on time during the period. For details, please refer to the relevant announcement published on the Shanghai Stock Exchange (www.sse.com.cn) on 10 September 2016.

## X. Banking facilities during the reporting period

As of 31 December 2016, the Company (parent company of shares, the headquarters) was granted with total credit line from banks of RMB63.199 billion, RMB11.830 billion of which had been used and the balance was RMB51.369 billion.

## XI. Performance of agreement or commitment provided in the bond prospectus During the reporting period

During the reporting period, the Company implemented the bond prospectus strictly and paid the interest of bonds on time without any prejudice to the interests of bond investors.

## XII. Effect of significant events of the Company on its operation and repayment

During the reporting period, no significant events of the Company occurred in accordance with the Article 45 of the Administrative Measures for the Issuance and Trading of Corporate Bonds.

# Significant Events

## I. Performance of undertakings

### (I) Undertakings given by de facto controller, shareholders, related party, purchaser, the Company and other relevant parties related to the undertaking during or subsisted to the reporting period

| Background of undertakings | Types of Undertakings | Party of undertakings | Details of the undertakings | The time and term of the undertakings | Whether there is time limit of performance | Whether it was fulfilled strictly in a timely manner | Specify when not performing the undertaking timely and reasons for not performing the undertakings timely | Specify the plan if not performing the undertakings timely |
|---|---|---|---|---|---|---|---|---|
| Undertaking related to share restructuring | | | | | | | | |
| Undertaking made in the takeover report or report of changes in equity | | | | | | | | |
| Undertaking related to significant asset restructuring | | | | | | | | |
| Undertaking related to initial public offering | Others | JCC | See note 1 | Date of the undertaking: 22 May 1997<br>Term: Long term | Yes | Yes | N/A | N/A |
| Undertaking related to refinancing | Resolving industry competition | JCC | See note 3 | Date of the undertaking: 21 December 2016<br>Term: Long term | Yes | Yes | N/A | N/A |
| Undertaking in relation to share incentive | | | | | | | | |
| Other undertakings made to the minority | Dividend | Jiangxi Copper Company Limited | See note 2 | Date of the undertaking: 18 July 2016<br>Term: 3 years (2016–2018) | Yes | Yes | N/A | N/A |

*Note 1:*

1. Under the Company Law of the PRC, the Company has fully independent control over its production and operations. JCC has undertaken not to interfere with the daily operations and decisions of the Company, unless such actions are performed through the Board of the Company.

2. (I) During the period where JCC holds 30% or more voting rights of the share capital of the Company, JCC shall use its best endeavors to ensure the independence of the Board of the Company pursuant to the requirements set out by the London Stock Exchange and Hong Kong Stock Exchange. Further, JCC shall ensure that independent Directors (namely those independent of JCC and China National Non-ferrous Metals Industry Corporation) shall constitute a majority of the Board of the Company.

(II) During the period where JCC holds 30% or more voting rights of the share capital of the Company, JCC shall exercise its voting rights to ensure that no amendment to the Articles of Association of the Company that may impact the independence thereof shall be made.

3. During the period where JCC held 30% or more voting rights of the share capital of the Company, JCC, its subsidiaries and connected companies (including the companies, enterprises and businesses controlled by JCC, except those controlled through the Company) shall not engage in any activities or businesses that are or may be in direct or indirect competition with the Company.

4. JCC has undertaken to assist the Company in obtaining approvals from government agencies with respect to the businesses thereof.

5. In the event that JCC carries out such actions as transfers and disposal regarding the land use rights of Dexing Copper Mine, Yongping Copper Mine and Guixi Smelter, the Company shall have the preemptive right.

6. JCC gives an option to the Company that the Company can purchase from JCC any mines, smelters or refineries that are currently or will be owned and/or operated in the future or any rights of mining or exploration that are currently or will be held in the future.

*Note 2:* Details of dividend undertakings

1. The Company can distribute dividend by way of cash, scrip or the combination of cash and scrip; and can distribute interim dividend according to the actual profitability and the capital requirement of the Company;

2. According to the provisions of the laws, regulations and the Articles of Association, conditional upon the cumulative distributable profits being positive after making up of the losses, deduction of the statutory reserve fund and provident fund in full amount, and having sufficient profits and cash to support the normal production and operation of the Company, in each year, the profit distribution by way of cash shall be not less than 10% of the distributable profits realized for the year, and the accumulated distributable profit distributed by way of cash in the last three years shall be not less than 30% of the average annual distributable profits realized in the last three years;

3. In addition to satisfying the minimum cash dividend distribution, the Company can implement distribution by way of scrip dividend. The proposal for distribution by way of scrip dividend should be proposed by the Board and put forward to the shareholders' meeting for approval.

*Note 3:* As of 21 December 2016, the copper processing business conducted by JCC Copper Strip Company Limited (江西銅業集團銅板帶有限公司) ("Copper Strip Company"), a subsidiary of JCC and Jiangxi Copper Company Limited (the "Listed Company") and its holding subsidiaries are identical or similar to a certain extent but there is no actual competition between them. JCC undertakes as follows:

1. From 21 December 2016, JCC shall actively transfer its controlling interest or all interest in Copper Strip Company to other independent third parties in compliance with laws before the operating situation of Copper Strip Company turns better and fulfils the condition for being injected into the Company.

2. At the time when the operating situation of Copper Strip Company turns better and fulfils the condition for being injected into the Company, and in the event that JCC has not yet transferred the controlling interest or all interest of Copper Strip Company to independent third parties, JCC undertakes that, provided that the interests of investors of the Company are protected, it shall commence the relevant work to inject Copper Strip Company into the Company within three years after Copper Strip Company fulfils the conditions for being injected into the Company.

3. JCC shall continue to fulfil the various obligations under the "Option-to-Purchase Agreement" and "Undertaking given by Jiangxi Copper Corporation to Jiangxi Copper Company Limited".

### (II) Profit predictions were made for the assets or project of the Company and the reporting period fell in the prediction period of profit, the Company gave an explanation of its assets or projects meeting the original profit prediction and of the reasons

Not applicable

## II. Embezzlement of funds and repayment of debt during the reporting period

Not applicable

## III. The Company's explanation for "non-standard auditing report" given by the auditors

Not applicable

## IV. Analysis and explanation of the Company on the reasons and impact of the change in accounting policy, accounting estimation or correction to material accounting errors

### (I) Analysis and explanation of the Company on the reasons and impact of the change in accounting policy, accounting estimation

Not applicable

### (II) Analysis and explanation of the Company on the reasons and impact of the correction to material accounting errors

Not applicable

### (III) Communication with the former accounting firm

Not applicable

## V. Appointment and removal of accounting firms

*Unit: 0'000 Currency: RMB*

| | Current auditors |
|---|---|
| Name of domestic auditor | Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) |
| Remuneration for domestic auditor | 1,011 |
| Years of audit services provided by the domestic auditor | 1 year |
| Name of overseas auditor | Deloitte Touche Tohmatsu |
| Remuneration for overseas auditor | 71 |
| Years of audit services provided by the overseas auditor | 1 year |

*Note:* The remuneration of the accounting firm includes the audit report of the Listed Company and its subsidiaries.

| | Name | Remuneration |
|---|---|---|
| Auditor for internal control | Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) | 0 |

Explanation on change of the accounting firm during the audit period

The Company has not changed the accounting firms in the past three years.

## VI. Risk of suspension of listing

### (I) Reasons for suspension of listing

Not applicable

### (II) Measures to be adopted by the Company

Not applicable

## VII. Delisting and its reasons

Not applicable

## VIII. Insolvency or restructuring

During the year, the Company did not have any insolvency or restructuring related matters.

## IX. Material litigation and arbitration

### (I) Litigation and arbitration matters which have been disclosed in the interim announcement and no follow-up progress

| Description and type | Query index |
|---|---|
| Announcement of the Company in relation to the litigation involved by its wholly owned subsidiary | Disclosed in the Lin No. 2016–024 announcement of JCC on www.sse.com.cn of SSE on 23 March 2016 |
| Updated Announcement of the Company in relation to the litigation involved by its wholly owned subsidiary | Disclosed in the Lin No. 2016–046 announcement of JCC on www.sse.com.cn of SSE on 26 October 2016 |

## X. Punishment on the Company and its Directors, Supervisors, senior management, controlling shareholder, de facto controller, and offeror and rectification

None of the Company, directors, supervisors, senior management, controlling shareholder, de facto controller and offeror was subject to punishment and rectification during the Year.

## XI. Credit conditions of the Company and its controlling shareholders, de facto controllers during the reporting period

Not applicable

## XII. Share option scheme, employee shareholding plan or other employee incentives and effects

### (I) Relevant share option scheme disclosed in extraordinary announcements and without subsequent development or changes during implementation

Not applicable

### (II) Equity incentive not disclosed in extraordinary announcements or with subsequent development

#### 1. Share option scheme

Not applicable

#### 2. Employee shareholding plan

Not applicable

3. **Other employee incentives**

Not applicable

## XIII. Material connected transactions

### (I) Connected transactions in relation to daily operations

1. **Events disclosed in extraordinary announcements and without subsequent development or changes during implementation**

Not applicable

2. **Events disclosed in extraordinary announcements with subsequent development or changes during implementation**

Not applicable

3. **Continuing connected transactions**

During the reporting period, details of continuing connected transactions carried out by the Company are as follows:

*Unit: Yuan Currency: RMB*

| Connected Party | Nature of the Connection | Category of the connected transaction | Details of the connected transaction | Pricing policy of the connected transaction | Price of the connected transaction | Amount of the connected transaction | Percentage of the amount involved in transactions of the same category (%) | Payment terms of the connected transactions | Market price | Reason for the difference between trading price and market price |
|---|---|---|---|---|---|---|---|---|---|---|
| JCC and its subsidiaries | Controlling shareholder | Purchase of goods | Ancillary industrial products and other products | Market price or cost plus tax | | 142,568,484 | 4.40 | Payment upon acceptance | | |
| JCC and its subsidiaries | Controlling shareholder | Acceptance of rights of use such as patent and trademark | Land use fee | Assessment price | | 166,664,514 | 100 | Settlement at the end of year | | |
| JCC and its subsidiaries | Controlling shareholder | Acceptance of services | Future good agent service fee | Market price | | 4,626,342 | 11.52 | Payment upon completion of transaction | | |
| JCC and its subsidiaries | Controlling shareholder | Other inflow | Interest charges for deposits | Based on the benchmark lending rate promulgated by the People's Bank of China or deposit terms no less favorable than the similar terms offered to JCC by other domestic financial institutions or credit cooperatives | | 20,532,467 | 100 | Monthly or quarterly payment | | |

*Unit: Yuan Currency: RMB*

| Connected Party | Nature of the Connection | Category of the connected transaction | Details of the connected transaction | Pricing policy of the connected transaction | Price of the connected transaction | Amount of the connected transaction | Percentage of the amount involved in transactions of the same category *(%)* | Payment terms of the connected transactions | Market price | Reason for the difference between trading price and market price |
|---|---|---|---|---|---|---|---|---|---|---|
| JCC and its subsidiaries | Controlling shareholder | Acceptance of services | Acceptance of repair and maintenance service | Industry standards | | 6,994,075 | 6.83 | Monthly payment | | |
| JCC and its subsidiaries | Controlling shareholder | Acceptance of services | Labour services, such as loading and logistics services of goods | Market price | | 96,361,773 | 100 | Monthly payment | | |
| JCC and its subsidiaries | Controlling shareholder | Acceptance of services | Provision of logistics services | Market price | | 1,105,996 | 100 | Monthly payment | | |
| JCC and its subsidiaries | Controlling shareholder | Sale of goods | Copper rods and wires *(tonne)* | Market price | 34,540 | 475,734,959 | 3.96 | Payment upon acceptance | | |
| JCC and its subsidiaries | Controlling shareholder | Sale of goods | Copper cathode *(tonne)* | Market price | 32,622 | 547,386,642 | 2.65 | Payment upon acceptance | | |
| JCC and its subsidiaries | Controlling shareholder | Sale of goods | Lead materials *(tonne)* | Market price | | 426,921,391 | 100 | Payment upon acceptance | | |
| JCC and its subsidiaries | Controlling shareholder | Sale of goods | Zinc concentrates *(tonne)* | Market price | | 375,707,245 | 100 | Payment upon acceptance | | |
| JCC and its subsidiaries | Controlling shareholder | Sale of goods | Sale of ancillary industrial products | Market price | | 101,572,717 | 2.81 | Monthly payment | | |
| JCC and its subsidiaries | Controlling shareholder | Loans | Provision of loan | Based on the benchmark lending rate promulgated by the People's Bank of China or deposit terms no less favorable than the similar terms offered to JCC by other domestic financial institutions or credit cooperatives | | 1,533,000,000 | 100 | Payment on terms set out in the loan agreement | | |
| JCC and its subsidiaries | Controlling shareholder | Loans | Provision of loan interests | Based on the benchmark lending rate promulgated by the People's Bank of China or deposit terms no less favorable than the similar terms offered to JCC by other domestic financial institutions or credit cooperatives | | 36,923,268 | 100 | Monthly or quarterly payment | | |

*Unit: Yuan    Currency: RMB*

| Connected Party | Nature of the Connection | Category of the connected transaction | Details of the connected transaction | Pricing policy of the connected transaction | Price of the connected transaction | Amount of the connected transaction | Percentage of the amount involved in transactions of the same category (%) | Payment terms of the connected transactions | Market price | Reason for the difference between trading price and market price |
|---|---|---|---|---|---|---|---|---|---|---|
| JCC and its subsidiaries | Controlling shareholder | Expenses of other utilities including water, electricity and gas (sale) | Electricity supply | Cost plus tax | | 5,064,942 | 100 | Monthly payment | | |
| JCC and its subsidiaries | Controlling shareholder | Provision of services | Construction services | Industry standards | | 122,025,818 | 39.72 | Monthly payment | | |
| JCC and its subsidiaries | Controlling shareholder | Provision of services | Provision of logistics services | Standard passenger and cargo rates of Jiangxi Province | | 21,918,060 | | Monthly payment | | |
| JCC and its subsidiaries | Controlling shareholder | Provision of services | Provision of miscellaneous services | Industry standards | | 21,317,088 | 100 | Payment on agreement | | |
| JCC and its subsidiaries | Controlling shareholder | Expenses of other utilities including water, electricity and gas (sale) | Rental from provision of public utilities | Shared on a cost basis in accordance with the proportion of staff | | 7,974,158 | 83.72 | Monthly payment | | |
| Total | | | | / | / | 4,114,399,939 | | / | / | / |

| | |
|---|---|
| Details of substantial sales return | During the reporting period, there was no substantial sales return. |

During the report period, the main and recurring connected transactions between the Company and its connected parties amounted to RMB4,114 million, including purchase transaction of RMB418 million and selling transaction of RMB2,106 million. Inventory transaction of financial companies amounted to RMB1,590 million.

The aforementioned continuing connected transactions were carried out pursuant to the following agreements entered into by the Group and JCC, the controlling shareholder of the Company:

The Company and JCC entered into Consolidated Supply and Services Agreement I and Consolidated Supply and Services Agreement II on 27 August 2014, respectively, pursuant to which, JCC and its subsidiaries from time to time (other than the Group) supplied various materials and provided industrial and other services to the Group, while the Company supplied various materials and provided industrial and other services to JCC and its subsidiaries from time to time (other than the Group). Those contracts were amended and supplemented by the supplemental agreement dated 30 December 2014. Consolidated Supply and Services Agreement I and Consolidated Supply and Services Agreement II are valid until 31 December 2017.

The proposed caps of Consolidated Supply and Services Agreement I for each of the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 will not exceed RMB621,990,000, RMB664,172,000 and RMB712,562,000, respectively.

The proposed caps of Consolidated Supply and Services Agreement II for each of the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 will not exceed RMB2,682,804,000, RMB2,750,076,000 and RMB2,902,329,000, respectively.

The Company believes that by sharing production facilities and technologies of each other with JCC and its subsidiaries from time to time (other than the Group) and taking advantages in proximity, it is necessary for the Company and JCC and its subsidiaries from time to time (other than the Group) to provide or accept supply or sales of industrial goods from each other on an ongoing basis. The agreements governing connected transactions were entered into with a view to satisfy the Company's actual needs from its production and operation. The pricing policies for the connected transactions between the Company and JCC were determined based on the priority from State price, industry price, market price to cost plus tax. The Company's connected transactions were settled by cash in time after acceptance of goods or provision of services.

Due to historic factors, some of the office buildings and factories of the Group are built on land which owned by JCC and its subsidiaries from time to time (other than the Group). The land leasing approach adopted by the Group to JCC and its subsidiaries from time to time (other than the Group) can help reduce the investment of the Group. On 27 August 2014, the Company, as the lessee, entered into the Land Leasing Agreement with JCC, as the lessor, for a term of three years, pursuant to which, JCC agreed to let the land use right of the lands covering an area of approximately 51,636,341.87 square meters to the Company, and the contract is valid until 31 December 2017.

The proposed caps of the Land Leasing Agreement for each of the three financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 will not exceed RMB166,686,000, RMB183,355,000 and RMB210,690,000, respectively.

JCC Finance Company Limited ("JCC Financial"), a subsidiary of the Company, entered into the Financial Assistance Agreement with JCC and its subsidiaries from time to time (other than the Group) on 25 March 2014, pursuant to which, JCC agreed that JCC and its subsidiaries from time to time (other than the Group) will provide financial assistance to JCC Financial and JCC Financial agreed to provide related services to JCC and its subsidiaries from time to time (other than the Group). The services included cash deposit services, settlement services and credit services. The maximum daily balance of outstanding loans (including interests), guarantees and discounted notes to be maintained by JCC and its subsidiaries from time to time (other than the Group) with JCC Financial for the period from the date of the Financial Assistance Agreement to 31 December 2014 and each of the two financial years ending 31 December 2016 will not exceed RMB1,600 million. According to the Financial Assistance Agreement, JCC and its subsidiaries from time to time (other than the Group) will transfer net deposit (i.e. total daily deposit balance of JCC and its subsidiaries from time to time (other than the Group) exceeds total daily loan balance to JCC and its subsidiaries from time to time (other than the Group)) to JCC Financial, which forms actual financial assistance to JCC Financial, supplements the available financial resources of JCC Financial, enhancing the profitability of JCC Financial and hence enhance the profitability of the Company.

All of the abovementioned continuing connected transactions are reviewed by the independent non-executive Directors of the Company every year, confirming that: (i) the transactions were entered into in the ordinary and usual course of business of the Company; (ii) the transactions were entered into on normal commercial terms or on the terms same as (or favorable than) that from independent third parties; and (iii) the transactions are conducted in accordance with relevant transaction agreements. The terms of which were fair and reasonable, and were in the interests of the shareholders of the listed company as a whole so far as the shareholders of the Company were concerned

The auditors of the Company were appointed to conduct reports for connected transactions of the Group in accordance with "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" conducted by Hong Kong Standard on Assurance Engagements 3000 and with reference to the Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Auditors has issued a letter confirming that nothing has come to their attention causing them to believe that the abovementioned continuing connected transactions for the year ended 31 December 2016: (1) were not approved by the Board; (2) were not carried out in accordance with the pricing policies of the Company in all material aspects for the transactions that involved the provision of products and services by the Group; (3) were not entered into in accordance with the agreements governing such transactions in all material aspects; and (4) exceeded the annual caps as disclosed in the announcements dated 25 March 2014 and 27 August 2014 for the abovementioned continuing connected transactions by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules.

Apart from the above continuing connected transactions, on 15 September 2015, Zhejiang Jiangtong Fuye Heding Copper Co., Ltd. (浙江江銅富冶和鼎銅業有限公司), a subsidiary of the Company, entered into a mutual guarantees agreement with its controlling shareholder, Zhejiang Fuye Group Co., Ltd. (浙江富冶集團有限公司), and its remaining shareholders, Xuancheng Quanxin Mining Co., Ltd. (宣城全鑫礦業有限公司) and Hangzhou Fuyang Yuanhe Industrial Co., Ltd. (杭州富陽緣和實業有限公司), pursuant to which the parties conditionally agreed to grant certain guarantees to each other with a term of each loan guaranteed not exceeding one year.

Besides, the transactions between the Company and its associate, Zhaojue Fengye Smelting Company Limited (昭覺逢燁濕法冶煉有限公司), as well as its joint venture, Jiangxi JCC-BIOTEQ Environmental Technologies Company Limited (江西省江銅百泰環保科技有限公司) amounted to RMB738,000 and RMB51,486,000 respectively.

## (II) Connected transaction from assets or equity acquisition or sale

**1. Events disclosed in extraordinary announcements and without subsequent development or changes during implementation**

Not applicable

**2. Events disclosed in extraordinary announcements with subsequent development or changes during implementation**

Not applicable

**3. Events not disclosed in extraordinary announcements**

Not applicable

**4. Where agreed results are involved, the results in the reporting period shall be disclosed**

Not applicable

## (III) Material connected transactions of joint overseas investment

**1. Events disclosed in extraordinary announcements and without subsequent development or changes during implementation**

Not applicable

2. **Events disclosed in extraordinary announcements with subsequent development or changes during implementation**

   Not applicable

3. **Events not disclosed in extraordinary announcements**

   Not applicable

### (IV) Connected claim and debt

1. **Events disclosed in extraordinary announcements and without subsequent development or changes during implementation**

   Not applicable

2. **Events disclosed in extraordinary announcements with subsequent development or changes during implementation**

   Not applicable

3. **Events not disclosed in extraordinary announcements**

   Not applicable

## XIV. Material Contracts and their performance

### (I) Custody, contracts and leases

1. **Custody**

   Not applicable

2. **Contracts**

   Not applicable

3. **Leases**

   Not applicable

## (II) Guarantees

*Unit: 00'000'000 Currency: RMB*

**External guarantees (excluding guarantees for subsidiaries)**

| Guarantor | Relation between the Guarantor and the listed company | The guaranteed | Guarantee amount | Guarantee date (execution date of the contract) | Start date of guarantee | End date of guarantee | Type of guarantee | Guarantee fulfilled or not | Guarantee overdo or not | Amount of overdo guarantee | Counter guarantee available or not | Related party guarantee or not | Nature of connection |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Zhejiang Jiangtong Fuye Heding Copper Co., Ltd. | Controlling subsidiary | Zhejiang Fuye Group Co., Ltd | 16.37 | 15 September 2015 | 1 October 2015 | 31 December 2016 | General guarantee | Yes | No | 0 | No | Yes | Other connected person |

| | |
|---|---|
| Total guarantee amount during the reporting period (excluding guarantees for subsidiaries) | 16.37 |
| Total balance of guarantee at the end of reporting period (A) (excluding guarantees for subsidiaries) | 11.93 |

**Guarantees of the Company and its subsidiaries for subsidiaries**

| | |
|---|---|
| Total guarantee amount for subsidiaries during the reporting period | 0 |
| Total balance of guarantees for subsidiaries at the end of reporting period (B) | 0 |

**Total guarantee amount (including guarantees for subsidiaries)**

| | |
|---|---|
| Total guarantee amount (A+B) | 11.93 |
| Proportion of total guarantee amount to net assets of the Company *(%)* | 2.56 |
| Including: | |
| Guarantee amount provided for the shareholders, de facto controller and related parties (C) | 0 |
| Guarantee amount for liabilities provided directly or indirectly for the guarantees with asset-liability ratio over 70% (D) | 0 |
| Total guarantee amount over 50% of net assets (E) | 0 |
| Total of the above guarantee amount (C+D+E) | 0 |
| Explanation on possible joint and several liability for liabilities settlement in case of outstanding guarantee | No |
| Explanation on guarantee | No |

### (III) Entrusted cash assets management

#### 1. Trust investment

Not applicable

#### 2. Trust loan

Not applicable

#### 3. Other wealth management and derivative investment

Not applicable

### (IV) Other material contracts

The Company has no other material contracts during the Year.

## XV. Active performance of social responsibility

### (I) Poverty alleviation of the listed company

Not applicable

### (II) Social Responsibility efforts

Please refer to the 2016 Social Responsibility Report of Jiangxi Copper Company Limited published on www.sse.com.cn on 30 March 2017 for details.

### (III) Statements on environmental protection of the Listed Company and its subsidiaries falling into the category of heavily polluting industries designated by national environmental authorities

Not applicable

## XVI. Particulars of convertible bond of the Company

### (I) Issuance of convertible bonds

Not applicable

### (II) Holders and guarantors of the convertible bonds during the reporting period

Not applicable

### (III) Changes in convertible bonds during the reporting period

Not applicable

**Accumulated conversion in convertible corporate bonds during the reporting period**

Not applicable

### (IV) Historical adjustments on the conversion price

Not applicable

### (V) Liabilities, change in credit standing and cash arrangement of repayment in the future

Not applicable

### (VI) Other information about convertible bonds

Not applicable

## XVII. Charges on the Group Assets

As of 31 December 2016, assets of the Group amounting to the net book value of RMB1,605.70 million were pledged for securing certain bank loans, including the pledged deposits of RMB28.43 million (31 December 2015: RMB955.84 million), accepted bank notes and bank wealth management products of RMB738.46 million (31 December 2015: RMB331.80 million), pledged buildings of RMB168.28 million (31 December 2015: RMB172.21 million), pledged machinery and equipment of RMB427.56 million (31 December 2015: 493.88 million) and pledged land use right of RMB177.65 million (31 December 2015: RMB263.34 million). The Group had not pledged any account receivables (31 December 2015: nil), while it had pledged deposits amounting to RMB65.34 million (31 December 2015: nil).

## XVIII. Foreign Exchange Risk

The reporting currency of the Group is Renminbi. Where any transactions in foreign currencies of the Company are incurred, amounts in foreign currencies are translated into RMB at the middle market exchange rates at the beginning of the transaction month. Year-end balances in foreign currency account are retranslated at the market exchange rates at the year end.

Although currently RMB is not a currency that is freely convertible in the PRC, the Chinese government is taking initiatives for exchange reform and adjustments to exchange rate. Exchange rate fluctuations will have an impact on the Group's balance of foreign exchange revenue and spending or dividends payable denominated in Hong Kong dollars or other currencies. However, the Group believes that it is able to obtain sufficient foreign exchange to satisfy its foreign exchange revenue and spending.

The Group's operations are mainly in the PRC. Except for export sales, which are mainly transacted in US dollars, the Group currently receives its sales revenue mainly in Renminbi. The Group's exposure to exchange rate fluctuations results primarily from the sales of products and purchase of raw materials in foreign currencies.

## XIX. Contingent Liabilities

As of 31 December 2016, the Group had no contingent liabilities.

Deloitte. 德勤

**TO THE SHAREHOLDERS OF JIANGXI COPPER COMPANY LIMITED**
江西銅業股份有限公司
*(A joint stock company incorporated in the People's Republic of China with limited liability)*

## Opinion

We have audited the consolidated financial statements of Jiangxi Copper Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 128 to 239, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

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

## Key Audit Matters

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

## Key Audit Matters *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Allowance for inventories* | |
| We identified the allowance for inventories as a key audit matter due to the significance of the balance to the consolidated financial statements and significant judgement involved by management in the valuation process. The Group has inventories of approximately RMB15,670 million and an allowance for inventories of approximately RMB258 million as at 31 December 2016.<br><br>As disclosed in note 4 to the consolidated financial statements, the management reviews the net realisable values of inventories at the end of the reporting period based on the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale to determine the allowance for inventories. | Our procedures in relation to assessing the appropriateness of allowance for inventories included:<br><br>• Understanding and evaluating the key controls relating to the determination of allowance for inventories and estimating the selling price of the inventories at the end of the reporting period performed by management;<br><br>• Assessing, on a sample basis, the reasonableness of the allowance for inventories made for products with open market prices by benchmarking the estimated selling price with the current market price;<br><br>• Assessing, on a sample basis, the reasonableness of the allowance for inventories made for products without open market prices by comparing the estimated selling prices to the selling prices of recent or subsequent sales and tracing the selling prices of recent and subsequent sales to sales invoices; and<br><br>• Assessing, on a sample basis, the reasonableness of the estimated cost of completion by comparing the estimated cost of completion to the cost of the finished goods with similar nature produced in the current year. |

## Key Audit Matters *(Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *Impairment of trade receivables* | |
| We identified the impairment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements and significant judgement involved by management in the valuation process. The Group has trade receivables of approximately RMB13,792 million and an allowance for doubtful debts of approximately RMB2,253 million as at 31 December 2016.<br><br>As disclosed in note 4 to the consolidated financial statements, the management considers the recoverability of trade receivables in determining the allowance for doubtful debts with reference to the credit history of customers, collateral receivable and past settlement records. | Our procedures in relation to assessing the appropriateness of impairment of trade receivables included:<br><br>• Understanding and evaluating the key controls relating to the preparation of aging analysis of trade receivables and determination of allowance for doubtful debts;<br><br>• Assessing the reasonableness of allowance for doubtful debts made with reference to credit history of customers, collateral receivable, settlement records including default or delay in payments and actual collection after the end of the reporting period for trade receivables assessed individually;<br><br>• Assessing the reasonableness of allowance for doubtful debts made with reference to the aging analysis for trade receivables assessed on a collective basis; and<br><br>• Testing the accuracy of the aging analysis of the trade receivables, on a sample basis, to the relevant documents. |

## Other Information

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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 our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Stephen C. L. Yuen.

**Deloitte Touche Tohmatsu**
Certified Public Accountants

Hong Kong
29 March 2017

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2016
*(PREPARED IN ACCORDANCE WITH IFRS)*

| | Notes | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **201,728,284** | 185,228,170 |
| Cost of sales | | **(195,164,342)** | (181,453,624) |
| Gross profit | | **6,563,942** | 3,774,546 |
| Other income | 6 | **615,119** | 1,125,617 |
| Other gains and losses | 7 | **(1,827,110)** | 77,729 |
| Selling and distribution expenses | | **(569,017)** | (515,356) |
| Administrative expenses | | **(1,679,586)** | (2,040,539) |
| Finance costs | 8 | **(968,920)** | (923,327) |
| Share of results of joint ventures | | **(42,259)** | (39,266) |
| Share of results of associates | | **(8,557)** | (243,012) |
| Profit before taxation | | **2,083,612** | 1,216,392 |
| Taxation | 9 | **(1,088,551)** | (477,741) |
| Profit for the year | 10 | **995,061** | 738,651 |
| **Other comprehensive income (expense)** | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Fair value change on hedging instruments designated in cash flow hedges | | **10,907** | 255,353 |
| Reclassification adjustments relating to transfer of cash flow hedges | | **(10,211)** | (295,438) |
| Fair value change on available-for-sale investments | | **(9,997)** | 1,764 |
| Share of exchange differences of associates | | **154,804** | 165,272 |
| Share of exchange differences of joint ventures | | **3,499** | 2,917 |
| Exchange differences arising on translation | | **52,244** | 44,105 |
| Income tax relating to components of other comprehensive income | | **1,013** | 6,182 |
| Other comprehensive income for the year (net of tax) | | **202,259** | 180,155 |
| Total comprehensive income for the year | | **1,197,320** | 918,806 |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2016
*(PREPARED IN ACCORDANCE WITH IFRS)*

| | Note | **2016** | 2015 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **840,794** | 689,556 |
| Non-controlling interests | | **154,267** | 49,095 |
| | | **995,061** | 738,651 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **1,041,902** | 867,680 |
| Non-controlling interests | | **155,418** | 51,126 |
| | | **1,197,320** | 918,806 |
| Earnings per share | 13 | | |
| Basic and diluted | | **RMB0.24** | RMB0.20 |

# Consolidated Statement of Financial Position

AT 31 DECEMBER 2016

*(PREPARED IN ACCORDANCE WITH IFRS)*

| | Notes | **2016 *RMB'000*** | 2015 *RMB'000* |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 14 | **20,934,508** | 21,446,841 |
| Investment properties | 15 | **484,297** | 352,526 |
| Prepaid lease payments | 16 | **1,190,259** | 1,221,393 |
| Intangible assets | 17 | **1,217,641** | 1,144,156 |
| Exploration and evaluation assets | 18 | **514,761** | 530,191 |
| Interests in associates | 19 | **2,722,937** | 2,564,586 |
| Interests in joint ventures | 20 | **283,468** | 338,027 |
| Available-for-sale investments | 21 | **1,931,736** | 835,249 |
| Deferred tax assets | 22 | **960,335** | 918,707 |
| Deposit for prepaid lease payments | | **82,150** | – |
| Deposits for property, plant and equipment | | **268,363** | 347,427 |
| | | **30,590,455** | 29,699,103 |
| Current assets | | | |
| Inventories | 23 | **15,412,386** | 13,368,855 |
| Trade and bills receivables | 24 | **16,562,303** | 14,205,827 |
| Prepayments, deposits and other receivables | 26 | **6,373,515** | 6,930,203 |
| Other investments | 27 | **689,707** | 311,799 |
| Loans to fellow subsidiaries | 28 | **1,082,560** | 945,209 |
| Prepaid lease payments | 16 | **28,309** | 25,078 |
| Available-for-sale investments | 21 | **2,890,577** | 2,812,500 |
| Held-for-trading financial assets | 29 | **188,035** | 156,947 |
| Derivative financial instruments | 30 | **297,690** | 615,000 |
| Restricted bank deposits | 31 | **4,818,393** | 3,975,457 |
| Bank balances and cash | 31 | **8,260,268** | 16,705,051 |
| | | **56,603,743** | 60,051,926 |
| Assets classified as held for sale | 32 | **189,892** | – |
| | | **56,793,635** | 60,051,926 |
| Current liabilities | | | |
| Trade and bills payables | 33 | **11,817,151** | 8,575,020 |
| Other payables and accruals | 34 | **4,516,422** | 4,687,627 |
| Deposits from holding company and fellow subsidiaries | 35 | **1,966,372** | 1,611,576 |
| Deferred revenue – government grants | 36 | **47,855** | 48,988 |
| Derivative financial instruments | 30 | **546,565** | 210,708 |
| Held-for-trading financial liabilities | 37 | **2,682,586** | 1,758,825 |
| Tax payable | | **806,285** | 351,625 |
| Bonds payable | 39 | **–** | 6,554,733 |
| Bank borrowings | 38 | **14,955,890** | 16,704,886 |
| | | **37,339,126** | 40,503,988 |
| Net current assets | | **19,454,509** | 19,547,938 |
| Total assets less current liabilities | | **50,044,964** | 49,247,041 |

# Consolidated Statement of Financial Position

AT 31 DECEMBER 2016

*(PREPARED IN ACCORDANCE WITH IFRS)*

| | Notes | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Bank borrowings | 38 | **228,100** | 347,600 |
| Provision for rehabilitation | 40 | **173,509** | 165,695 |
| Employee benefit liability | 41 | **109,190** | 149,551 |
| Deferred revenue – government grants | 36 | **592,224** | 634,159 |
| Other long-term payables | 42 | **10,979** | 11,735 |
| Deferred tax liabilities | 22 | **108,114** | 109,000 |
| | | **1,222,116** | 1,417,740 |
| | | **48,822,848** | 47,829,301 |
| Capital and reserves | | | |
| Share capital | 43 | **3,462,729** | 3,462,729 |
| Reserves | | **43,135,257** | 42,439,628 |
| Equity attributable to owners of the Company | | **46,597,986** | 45,902,357 |
| Non-controlling interests | | **2,224,862** | 1,926,944 |
| | | **48,822,848** | 47,829,301 |

The consolidated financial statements on pages 128 to 239 were approved and authorised for issue by the Board of Directors on 29 March 2017 and are signed on its behalf by:

**Li Baomin**
*Director*

**Long Ziping**
*Director*

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016
*(PREPARED IN ACCORDANCE WITH IFRS)*

| | Attributable to owners of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Capital reserve | Other reserves | Statutory surplus reserve | Discretionary surplus reserve | Safety funds surplus reserve | Hedging reserve | Translation reserve | Proposed dividends | Retained profits | Sub-total | Non-controlling interests | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | *(Note a)* | *(Note b)* | *(Note c)* | *(Note c)* | *(Note d)* | | | | | | | |
| At 1 January 2015 | 3,462,729 | 12,647,502 | (902,113) | (92,445) | 4,456,354 | 9,647,574 | 275,474 | 36,888 | (334,679) | 692,546 | 15,838,120 | 45,727,950 | 1,292,214 | 47,020,164 |
| Profit for the year | – | – | – | – | – | – | – | – | – | – | 689,556 | 689,556 | 49,095 | 738,651 |
| Other comprehensive income (expense) for the year | – | – | – | 3,803 | – | – | – | (35,942) | 210,263 | – | – | 178,124 | 2,031 | 180,155 |
| Total comprehensive income (expense) for the year | – | – | – | 3,803 | – | – | – | (35,942) | 210,263 | – | 689,556 | 867,680 | 51,126 | 918,806 |
| Acquisition of a subsidiary | – | – | – | – | – | – | – | – | – | – | – | – | 606,489 | 606,489 |
| Dividend paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | (22,400) | (22,400) |
| Dividends declared | – | – | – | – | – | – | – | – | – | (692,546) | – | (692,546) | – | (692,546) |
| Dividends proposed | – | – | – | – | – | – | – | – | – | 346,273 | (346,273) | – | – | – |
| Staff bonus and welfare fund declared | – | – | – | – | – | – | – | – | – | – | (727) | (727) | (485) | (1,212) |
| Transfer between categories | – | – | – | – | 133,429 | – | 50,435 | – | – | – | (183,864) | – | – | – |
| At 31 December 2015 | 3,462,729 | 12,647,502 | (902,113) | (88,642) | 4,589,783 | 9,647,574 | 325,909 | 946 | (124,416) | 346,273 | 15,996,812 | 45,902,357 | 1,926,944 | 47,829,301 |
| Profit for the year | – | – | – | – | – | – | – | – | – | – | **840,794** | **840,794** | **154,267** | **995,061** |
| Other comprehensive (expense) income for the year | – | – | – | **(8,984)** | – | – | – | **696** | **209,396** | – | – | **201,108** | **1,151** | **202,259** |
| Total comprehensive (expense) income for the year | – | – | – | **(8,984)** | – | – | – | **696** | **209,396** | – | **840,794** | **1,041,902** | **155,418** | **1,197,320** |
| Contribution from non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | **228,000** | **228,000** |
| Dividend paid to non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | – | **(85,500)** | **(85,500)** |
| Dividends declared | – | – | – | – | – | – | – | – | – | **(346,273)** | – | **(346,273)** | – | **(346,273)** |
| Dividends proposed | – | – | – | – | – | – | – | – | – | **519,409** | **(519,409)** | – | – | – |
| Transfer between categories | – | – | – | – | **226,960** | – | **49,121** | – | – | – | **(276,081)** | – | – | – |
| At 31 December 2016 | **3,462,729** | **12,647,502** | **(902,113)** | **(97,626)** | **4,816,743** | **9,647,574** | **375,030** | **1,642** | **84,980** | **519,409** | **16,042,116** | **46,597,986** | **2,224,862** | **48,822,848** |

*Notes:*

(a) Capital reserve arises from (i) the difference between the amount by which the non-controlling interests are adjusted and the consideration paid and received for the acquisition of additional interest in a subsidiary and the partial disposal of a subsidiary without losing control; (ii) the difference between the cash consideration paid, shares issued by the Company and the amount of the registered capital of the combined entities under group reorganisations; and (iii) the excess of the value of the net assets immediately before the establishment of the Company injected into the Company by Jiangxi Copper Corporation, a holding company of the Company, as part of group reorganisations which was determined by the valuer in the People's Republic of China (the "PRC") and was approved by the State Assets Administration Bureau over the nominal value of the shares issued upon establishment of the Company.

(b) Other reserves mainly represent the difference in value of certain assets and liabilities included in the net assets injected into the Company pursuant to group reorganisations calculated in accordance with International Financial Reporting Standards and the valuation of assets and liabilities performed by the PRC valuer in accordance with relevant PRC standards and regulations, which valuation was confirmed by the State Assets Administration Bureau. The current year movement represents net fair value change arising from available-for-sale investments amounting to RMB8,984,000 (2015: gain on net fair value change of RMB3,803,000).

(c) According to the PRC laws and regulations, the Company and its PRC subsidiaries shall appropriate to the statutory surplus reserve at 10% of their profit after taxation calculated in accordance with the PRC accounting standards. The appropriation may cease to apply if the balance of the statutory surplus reserve has reached 50% of the registered capital of respective company. In addition, each company is allowed to transfer a certain amount of profit after taxation and after appropriations to the statutory surplus reserve, subject to shareholders' approval, to the discretionary surplus reserve. The statutory surplus reserve and discretionary surplus reserve can be used to make up prior year losses, to expand production operation or to increase share capital. Each company may capitalise the statutory surplus reserve and discretionary surplus reserve by way of bonus issues provided that the amount of the statutory surplus reserve remaining after such an appropriation shall not be less than 25% of the original registered capital of respective company.

(d) The Group is required to make appropriations in accordance with CaiQi [2006] No 478 "Tentative measures for the financial management of the production safety fund for the high risk enterprises" that is issued by the Ministry of Finance and the Safety Production General Bureau. The reserve is for future enhancement of safety production environment and improvement of facilities and is not available for distribution to shareholders.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016
*(PREPARED IN ACCORDANCE WITH IFRS)*

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Operating activities | | |
| Profit before taxation | **2,083,612** | 1,216,392 |
| Adjustments for: | | |
| Interest expenses | **968,920** | 923,327 |
| Depreciation for property, plant and equipment | **1,780,311** | 1,567,260 |
| Depreciation of investment properties | **10,785** | 7,284 |
| Amortisation of prepaid lease payments | **28,309** | 31,908 |
| Amortisation of intangible assets | **42,072** | 44,158 |
| Loss on disposal of property, plant and equipment | **56,768** | 26,565 |
| Share of results of associates | **8,557** | 243,012 |
| Share of results of joint ventures | **42,259** | 39,266 |
| Impairment loss on property, plant and equipment | **3,787** | – |
| Impairment loss on available-for-sale investments | **–** | 369 |
| Impairment loss on trade and bills receivables | **1,295,987** | 120,653 |
| (Reversal of) impairment loss on prepayment, deposits and other receivables | **(66,597)** | 317,343 |
| Impairment loss on loans to fellow subsidiaries | **1,669** | 380 |
| Impairment loss on interest in a joint venture | **34,917** | – |
| Release of deferred income | **(52,664)** | (51,716) |
| (Reversal of) allowance for inventories | **(116,308)** | 16,600 |
| Net change in rehabilitation provision | **7,814** | 43,230 |
| Income from available-for-sale investments | **(261,505)** | (226,924) |
| Income from other investments | **–** | (90,972) |
| Fair value change on commodity derivative contracts | **669,774** | (221,877) |
| Fair value change on provisional price arrangement | **20,461** | 10,748 |
| Fair value change on foreign currency forward contracts and interest rate swaps | **53,647** | (121,163) |
| Fair value change on held-for-trading financial liabilities | **285,089** | (95,023) |
| Fair value change on held-for-trading financial assets | **7,762** | (31,072) |
| Gain on disposal of interest in an associate | **(15,198)** | – |
| Gain on disposal of a subsidiary | **–** | (278,015) |

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016
*(PREPARED IN ACCORDANCE WITH IFRS)*

| | Notes | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|---|
| Operating cash flows before movements in working capital | | **6,890,228** | 3,491,733 |
| Increase in deposits from holding company and fellow subsidiaries | | **354,796** | 731,784 |
| (Increase) decrease in inventories | | **(1,927,223)** | 1,489,006 |
| (Increase) decrease in trade and bills receivables | | **(4,007,147)** | 2,369,996 |
| Decrease (increase) in prepayments, deposits and other receivables | | **425,084** | (639,898) |
| Increase in held for trading financial assets | | **(45,344)** | – |
| Increase (decrease) in trade and bills payables | | **3,242,131** | (4,829,986) |
| (Decrease) increase in other payables and accruals | | **(247,893)** | 803,695 |
| Cash generated from operations | | **4,684,632** | 3,416,330 |
| Income tax paid | | **(675,392)** | (1,148,168) |
| Net cash from operating activities | | **4,009,240** | 2,268,162 |
| Investing activities | | | |
| Proceeds from disposal of available-for-sale investments | | **4,363,500** | 2,866,856 |
| Proceeds from disposal of other investments | | **311,799** | 1,140,000 |
| Receipt (payment) of available-for-sale investments | | **254,755** | (15,520) |
| Proceeds from disposal of property, plant and equipment | | **5,509** | 8,229 |
| Income from derivative financial instruments | | **23,906** | 227,172 |
| Dividend received from available-for-sale investments | | **6,750** | 34,410 |
| Dividend received from a joint venture | | **6,000** | 3,000 |
| Dividend received from an associate | | **23,838** | – |
| Acquisition of a subsidiary | 44(a) | **–** | 589,458 |
| Proceeds from disposal of a subsidiary | 44(b) | **–** | 302,412 |
| Purchases of available-for-sale investments | | **(5,095,577)** | (4,177,500) |
| Purchases of property, plant and equipment | | **(1,534,275)** | (1,313,925) |
| (Increase) decrease in restricted bank deposits | | **(842,936)** | 2,469,879 |
| Advance of loans to fellow subsidiaries | | **(1,563,066)** | (67,004) |
| Repayment of loans to fellow subsidiaries | | **1,424,046** | – |
| Additional investments in joint ventures | | **(21,119)** | (9,222) |
| Purchases of other investments | | **(689,707)** | (10,000) |
| Additional investments in associates | | **(116,247)** | (92,000) |
| Purchases of exploration and evaluation assets | | **(82,208)** | (93,332) |
| Purchases of prepaid lease payments | | **(406)** | (20,109) |

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2016
*(PREPARED IN ACCORDANCE WITH IFRS)*

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Deposits paid for property, plant and equipment | **–** | (347,427) |
| Purchases of intangible assets | **(17,919)** | (11,419) |
| Repayment of other long term payables | **(756)** | – |
| Net cash (used in) from investing activities | **(3,544,113)** | 1,483,958 |
| Financing activities | | |
| New bank and other borrowings raised | **21,356,898** | 26,749,015 |
| Proceeds from held-for-trading financial liabilities | **2,861,970** | 1,816,031 |
| Repayment of bank and other borrowings | **(30,415,422)** | (31,268,768) |
| Repayment of held-for-trading financial liabilities | **(2,144,141)** | (2,952,111) |
| Dividends paid | **(346,273)** | (692,546) |
| Interest paid | **(790,503)** | (417,840) |
| Staff welfare declared | **–** | (485) |
| Government grants received | **9,596** | 206,057 |
| Capital contributions from non-controlling interests | **228,000** | – |
| Dividends paid to non-controlling interests | **(21,500)** | (22,400) |
| Net cash used in financing activities | **(9,261,375)** | (6,583,047) |
| Net decrease in cash and cash equivalents | **(8,796,248)** | (2,830,927) |
| Cash and cash equivalents at the beginning of the year | **16,705,051** | 19,394,219 |
| Effect of foreign exchange rate changes | **351,465** | 141,759 |
| Cash and cash equivalents at the end of the year, representing bank balances and cash | **8,260,268** | 16,705,051 |

## 1. GENERAL

The Company was registered in the People's Republic of China (the "PRC") as a joint stock limited company. The registration number of the Company's business licence is Qi He Gan Zhong Zi 003556. The Company was established on 24 January 1997 by Jiangxi Copper Corporation ("JCC"), a company established in the PRC, Hong Kong International Copper Industry (China) Investment Limited, Shenzhen Baoheng (Group) Company Limited, Jiangxi Xinxin Company Limited and Hubei Sanxin Gold & Copper Company Limited, and approved by Jiangxi Province's Administrative Bureau for Industry and Commerce. The Company's H shares and A shares were listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, respectively. The registered address of the Company is located at 15 Yejin Avenue, Guixi City, Jiangxi, the PRC. The Company's ultimate holding company is JCC, and the ultimate controlling party is the State-owned Assets Supervision & Administration Commission of the People's Government of Jiangxi Province.

The Group is an integrated producer of copper in the PRC. Its operations consist of copper mining, milling, smelting and refining for the production of copper cathodes, copper rods and wires and other related products, including pyrite concentrates, sulphuric acid, and electrolytic gold and silver, and rare metals such as molybdenum, and trading of copper related products, etc.

The activities of its principal subsidiaries, associates and joint ventures are set out in notes 50, 19 and 20 respectively.

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

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

### Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

| | |
|---|---|
| Amendments to IFRS 11 | Accounting for acquisitions of interests in joint operations |
| Amendments to IAS 1 | Disclosure initiative |
| Amendments to IAS 16 and IAS 38 | Clarification of acceptable methods of depreciation and amortisation |
| Amendments to IAS 16 and IAS 41 | Agriculture: Bearer plants |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment entities: Applying the consolidation exception |
| Amendments to IFRSs | Annual improvements to IFRSs 2012–2014 cycle |

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

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### New and amendments to IFRSs in issue but not yet effective

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

| | |
|---|---|
| IFRS 9 | Financial instruments[1] |
| IFRS 15 | Revenue from contracts with customers and the related Amendments[1] |
| IFRS 16 | Leases[2] |
| IFRIC 22 | Foreign currency transactions and advance considerations[1] |
| Amendments to IFRS 2 | Classification and measurement of share-based payment transactions[1] |
| Amendments to IFRS 4 | Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture[3] |
| Amendments to IAS 7 | Disclosure initiative[4] |
| Amendments to IAS 12 | Recognition of deferred tax assets for unrealised losses[4] |
| Amendments to IAS 40 | Transfers of investment property[1] |
| Amendments to IFRSs | Annual improvements to IFRS Standards 2014–2016 cycle[5] |

1 Effective for annual periods beginning on or after 1 January 2018.

2 Effective for annual periods beginning on or after 1 January 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2017.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### IFRS 9 Financial instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39 "Financial instruments: Recognition and measurement", the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### IFRS 9 Financial instruments *(Continued)*

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the directors of the Company considered that the application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

The directors of the Company anticipate that the application of the new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

### IFRS 15 Revenue from contracts with customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### IFRS 15 Revenue from contracts with customers *(Continued)*

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

### IFRS 16 Leases

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

## 2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

### IFRS 16 Leases *(Continued)*

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

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$171,128,000 as disclosed in note 45. A preliminary assessment indicates that certain of these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company do not anticipate that the application of the other amendments to IFRSs and interpretation will have material impact on the consolidated financial statements of the Group.

### Amendments to IAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance ("CO").

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

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

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

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

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

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

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

The principal accounting policies are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation *(Continued)*

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.

***Changes in the Group's ownership interests in existing subsidiaries***

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;

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

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments in associates and joint ventures

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.

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investments in associates and joint ventures *(Continued)*

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

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

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

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Service income is recognised when services are provided.

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

### Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

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

### Borrowing costs

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term and other long-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 IFRS 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.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion on the cost of an asset.

### Taxation

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation *(Continued)*

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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.

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

### Property, plant and equipment

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Construction in progress includes property, plant and equipment in the course of construction for production or for own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category 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.

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.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### Leasing

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasing *(Continued)*

**The Group as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

**Leasehold land and building**

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable or relevant mining rights certificate is obtained, previously recognised exploration and evaluation assets are reclassified as mining rights or property, plant and equipment. These assets are assessed for impairment before reclassifications.

### Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive).

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on future exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- 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 assets is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the profit or loss whenever the carrying amount of the exploration and evaluation assets exceeds its recoverable amount.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Financial instruments

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

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

#### Financial assets

The Group's financial assets are classified into one of the following categories including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

***Effective interest method***

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

Income is recognised on an effective interest basis for debt instruments.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets *(Continued)***

***Financial assets at FVTPL***

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

A financial asset is classified as held for trading if:

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets *(Continued)***

***Loans and receivables***

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

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

***Available-for-sale financial assets***

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) financial assets at FVTPL or (b) loans and receivables.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of other reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the other reserve is reclassified to profit or loss.

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period.

***Impairment of financial assets***

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets *(Continued)***

***Impairment of financial assets (Continued)***

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts considered previously written off are credited to profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Financial assets *(Continued)***

***Impairment of financial assets (Continued)***

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

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

**Financial liabilities and equity instruments**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in according 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 the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

***Effective interest method***

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

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

***Financial liabilities at FVTPL***

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

A financial liability is classified as held for trading if:

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

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

***Bonds with detachable warrants***

The component of bonds with warrants that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of bonds with warrants, the fair value of the liability component is determined using a market rate for an equivalent bond without the detachable share purchase warrants; and this amount is carried as a long-term liability on an amortised cost basis until redemption.

The remainder of the proceeds is allocated to the detachable share purchase warrants that are recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the detachable share purchase warrants is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the bonds with warrants based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

***Financial liabilities at amortised cost***

Financial liabilities including trade and bills payables, other payables, deposits from holding company and fellow subsidiaries, bank borrowings, bonds payable and other long-term payables are subsequently measured at amortised cost, using the effective interest method.

**Derivative financial instruments**

The Group uses derivative financial instruments to hedge its commodity price risk, interest rate risk and foreign currency risk. The Group's derivative financial instruments mainly include commodity derivative contracts (mainly standardised copper cathode future contracts in Shanghai Futures Exchange ("SHFE") and London Metal Exchange ("LME"), foreign currency forward contracts and interest rate swaps and provisional price arrangement.

Provisional price arrangement is embedded in metal purchase contracts with third parties. According to industry practice, the purchase terms of metal in these contracts contain provisional pricing arrangements pursuant to which the purchase prices for metal in concentrate are based on prevailing spot prices at a specified future period after shipment by suppliers (the "quotation period"). Adjustments to the purchase price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement is within one month. Accordingly, for accounting purposes, the provisional price arrangement is required to be separated from the host contract for purchase of metal in concentrate once the significant risks and rewards of ownership has been transferred to the Group. The host contract is the purchase of metal in concentrate and the embedded derivative is the forward contract for which the provisional price is subsequently adjusted.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Derivative financial instruments *(Continued)***

The use of financial derivatives is governed by the Group's policies, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. Certain derivative instruments of the Group are not designated as hedging instruments and/or qualified for hedge accounting.

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

***Embedded derivatives***

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when 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. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

**Hedge accounting**

The Group uses derivative financial instruments (i.e. commodity derivative contracts and provisional price arrangement) to hedge its commodity price risk.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedge risk.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Hedge accounting *(Continued)***

***Fair value hedges***

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item. The adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to profit or loss when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The adjustment is based on a recalculated effective interest rate at the date the amortisation begins.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

***Cash flow hedges***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

**Hedge accounting *(Continued)***

***Cash flow hedges (Continued)***

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**Derecognition**

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Provisions

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

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

Provisions for the Group's obligations for environment rehabilitation are based on estimates of required expenditure at the mines in accordance with PRC rules and regulations. The Group estimates its provisions for environment rehabilitation cost at closure of mine based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset in the period in which the liability is incurred. The asset is depreciated using the straight-line method over its expected life and the liability is accreted to the projected expenditure date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and asset are recognised at the appropriate discount rate.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

### Allowances for inventories

The management of the Group reviews the saleability of inventories at the end of reporting period and writes down inventories to their net realisable values if the carrying value is lower than the net realisable values. Net realisable value for inventories is primarily based on the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. The management considers the market prices for products with open market or sale prices of recent and subsequent sales for products without open market when assessing the estimated selling prices, and estimates the cost of completion and cost necessary to make the sales based on current cost incurred for production and selling of finished goods with similar nature. 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. At 31 December 2016, the carrying amount of inventories is RMB15,412,386,000 (2015: RMB13,368,855,000).

### Impairment of loans, trade and other receivables

Impairment of loans, trade receivables and other receivables is made based on an assessment of the recoverability of loans, trade receivables and other receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Group will not be able to collect the debts. The management will consider the credit history of customers, collateral receivable and past settlement records including default or delay in payments and collection after the end of the reporting period. Where the actual outcome or further expectation is different from the original estimate, these differences will impact on the carrying value of the receivables, doubtful debt expenses and write-back in the period in which the estimate has been changed. As at 31 December 2016, the carrying amount of loans, trade and other receivables is RMB21,689,785,000 (2015: RMB20,348,849,000).

### Fair value measurements and valuation processes

In estimating the fair value of the Group's financial assets and financial liabilities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group will assess the valuation of financial instruments based on discounted cash flow or quoted bid prices of the trading day in the over-the-counter markets at the end of each reporting period. At the end of the reporting period, the management of the Group will exercise their judgements based on their experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Note 49 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the Group's financial assets and financial liabilities.

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

### Environment rehabilitation obligations

Environment rehabilitation obligations are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in the estimation of the costs. Environment rehabilitation obligations are subject to considerable uncertainty which affects the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, mines and land development areas, whether operating, closed or sold, (ii) the extent of required cleanup efforts, (iii) varying cost of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. In addition, as prices and cost levels change from year to year, the estimate of environment liabilities also changes. Despite the inherent imprecision in these estimates, these estimates are used in assessing the provision for rehabilitation. As at 31 December 2016, the carrying amount of provision for rehabilitation is RMB173,509,000 (2015: RMB165,695,000).

### Mineral reserves

Technical estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable mineral reserves estimates are updated on a regular basis and take into account recent economic production and technical information about each mine. In addition, as production levels and technical standards change from year to year, the estimate of proved and probable mineral reserves also changes. Despite the inherent imprecision in these technical estimates, these estimates are used in assessing impairment losses. As at 31 December 2016, the carrying amount of mining rights is RMB1,147,450,000 (2015: RMB1,078,676,000).

### Exploration and evaluation assets

The application of the Group's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that future economic benefits will result, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available. As at 31 December 2016, the carrying amount of exploration and evaluation assets is RMB514,761,000 (2015: RMB530,191,000).

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

### Deferred tax assets

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the amounts of the future taxable profit and tax planning strategies. As at 31 December 2016, the carrying amount of deferred tax assets is RMB960,335,000 (2015: RMB918,707,000).

### Estimation of useful lives and residual values of property, plant and equipment

Useful lives and residual values of property, plant and equipment are determined based on management's past experience with similar assets, estimated changes in technologies and in the case of mining related property, plant and equipment, estimated mine lives. If the estimated useful lives and residual value of property, plant and equipment change significantly, adjustment of depreciation will be provided in the following year. As at 31 December 2016, the carrying amount of property, plant and equipment is RMB20,934,508,000 (2015: RMB21,446,841,000).

### Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2016, the carrying amount of non-current assets (other than deferred tax assets, available-for-sale investments, deposits for prepaid lease payments and deposits for property, plant and equipment) is RMB27,347,871,000 (2015: RMB27,908,967,000).

## 5. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on production and sale of copper and other related products. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance of the PRC, that are regularly reviewed by the General Manager of the Group. The General Manager of the Group regularly reviews revenue analysis by products. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective products. The General Manager of the Group reviews the revenue and the operating results of the Group as a whole to make decision about resources allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the General Manager of the Group. Accordingly, no analysis of this single operating segment is presented.

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue by category of goods is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales of goods | | |
| – copper cathodes | **125,284,190** | 113,156,063 |
| – copper rods | **38,735,196** | 38,126,940 |
| – copper processing products | **3,592,718** | 3,079,239 |
| – gold | **6,985,024** | 6,154,781 |
| – silver | **4,004,884** | 2,816,113 |
| – sulphuric and sulphuric concentrate | **704,088** | 1,348,034 |
| – rare and other non-ferrous metals | **19,349,579** | 17,890,198 |
| – others | **3,652,541** | 3,211,123 |
| Revenue analysis prepared in accordance with ASBE | **202,308,220** | 185,782,491 |
| Less: sales related taxes | **(579,936)** | (554,321) |
| Revenue analysis prepared in accordance with IFRSs | **201,728,284** | 185,228,170 |

### Geographical information

The Group's operation is mainly located in the PRC and Hong Kong. The Group's revenue by geographical location of customers are detailed below:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Mainland China | **169,615,513** | 165,251,322 |
| Hong Kong | **23,341,250** | 11,181,744 |
| Others | **9,351,457** | 9,349,425 |
| Revenue analysis prepared in accordance with ASBE | **202,308,220** | 185,782,491 |
| Less: sales related taxes | **(579,936)** | (554,321) |
| Revenue analysis prepared in accordance with IFRSs | **201,728,284** | 185,228,170 |

All non-current assets of the Group (excluding deferred tax assets and financial instruments) are located in the PRC except for certain investments in Afghanistan, Turkey, Peru and Japan of which carrying amounts are not material.

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Information about major customers

During the year ended 31 December 2016, there is no revenue from customers contributing over 10% of the total revenue of the Group (2015: nil). The revenue from the largest customer amounted to approximately RMB6,883,732,000 (2015: RMB4,876,870,000), representing 3.41% (2015: 2.63%) of the total revenue of the Group.

## 6. OTHER INCOME

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest income | **496,214** | 954,972 |
| Dividend income on available-for-sale investments | **6,750** | 34,409 |
| Government grants recognised (note) | **52,664** | 51,716 |
| Income from value-added tax refund | **56,052** | 78,301 |
| Others | **3,439** | 6,219 |
| | **615,119** | 1,125,617 |

*Note:* Government grants recognised represents compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs and government subsidies granted to the Group in relation to its production facilities.

## 7. OTHER GAINS AND LOSSES

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Fair value change on derivative financial instruments | | |
| Transactions not qualifying for hedging accounting | | |
| – Fair value change on commodity derivative contracts | **(661,931)** | 290,358 |
| – Fair value change on foreign currency forward contracts and interest rate swaps | **(53,647)** | 121,163 |
| Transactions qualifying as fair value hedges | | |
| – Inventory hedged | **(2,919)** | 4,351 |
| – Fair value change on hedging instruments | **3,009** | (6,408) |
| Ineffective portion of cash flow hedges | **(7,933)** | (66,424) |
| Fair value change on held-for-trading financial assets | **(7,762)** | 31,072 |
| Fair value change on held-for-trading financial liabilities | **(285,089)** | 95,023 |
| Income from available-for-sale investments | **254,755** | 192,515 |
| Gain on disposal of a subsidiary | **–** | 278,015 |
| Gain on disposal of interest in an associate | **15,198** | – |
| Income from other investments | **–** | 90,972 |
| Loss on disposal of property, plant and equipment | **(56,768)** | (26,565) |
| Impairment loss on property, plant and equipment | **(3,787)** | – |
| Impairment loss on trade and bills receivables | **(1,295,987)** | (120,653) |
| Reversal of (impairment loss) on prepayment, deposits and other receivables | **66,597** | (317,343) |
| Impairment loss on available-for-sale investments | **–** | (369) |
| Impairment loss on loans to fellow subsidiaries | **(1,669)** | (380) |
| Impairment loss on interest in a joint venture | **(34,917)** | – |
| Donations | **(818)** | (852) |
| Exchange gains (losses), net | **236,300** | (551,263) |
| Others | **10,258** | 64,517 |
| | **(1,827,110)** | 77,729 |

## 8. FINANCE COSTS

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Interests on: | | |
| Bank borrowings | **321,641** | 406,603 |
| Bonds payable | **296,267** | 376,435 |
| Discounted notes | **351,012** | 140,289 |
| | **968,920** | 923,327 |

## 9. TAXATION

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The charge comprises: | | |
| Current taxation | | |
| – PRC Enterprise Income Tax | **1,070,595** | 687,202 |
| – Hong Kong Profits Tax | **(3,584)** | 7,667 |
| | **1,067,011** | 694,869 |
| Under(over)provision in prior years | | |
| – PRC Enterprise Income Tax | **70,075** | (4,761) |
| – Hong Kong Profits Tax | **(7,034)** | 848 |
| | **63,041** | (3,913) |
| Deferred taxation *(note 22)* | **(41,501)** | (213,215) |
| | **1,088,551** | 477,741 |

Hong Kong Profits Tax in five (2015: three) of the Group's subsidiaries has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The provision for PRC Enterprise Income Tax is based on a statutory rate of 25% (2015: 25%) of the assessable profits of the PRC companies as determined in accordance with the relevant income tax rules and regulations of the PRC Enterprise Income Tax Law except for those high technology companies entitled to a lower PRC Enterprise Income Tax rate of 15% according to the PRC Enterprise Income Tax Law.

Taxation in other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

## 9. TAXATION *(Continued)*

Tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before taxation | **2,083,612** | 1,216,392 |
| Tax at the domestic income tax rate of 25% (2015: 25%) | **520,903** | 304,098 |
| Tax effect of income not taxable for tax purposes | **(9,250)** | (20,882) |
| Tax effect of expenses not deductible for tax purposes | **52,170** | 94,531 |
| Under(over)provision in prior years | **63,041** | (3,913) |
| Tax effect of tax losses and deductible temporary differences not recognised | **512,298** | 99,129 |
| Utilisation of tax losses and deductible temporary differences previously not recognised | **(49,140)** | (90) |
| Effect of different tax rates of subsidiaries | **(7,521)** | 4,868 |
| Others | **6,050** | – |
| Tax charge for the year | **1,088,551** | 477,741 |

## 10. PROFIT FOR THE YEAR

| | 2016 *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Employee benefit expense (including directors', chief executive's and supervisors' remuneration *(note 11)*): | | |
| – Wages and salaries | **2,066,658** | 1,849,303 |
| – Performance related bonus | **50,169** | 12,352 |
| – Pension scheme contributions *(note)* | **470,833** | 124,051 |
| – Other staff costs, allowances and welfare | **508,973** | 376,030 |
| | **3,096,633** | 2,361,736 |
| Capitalised in inventories | **(2,545,300)** | (1,670,233) |
| | **551,333** | 691,503 |
| Auditor's remuneration | **10,438** | 8,211 |
| Cost of inventories recognised as an expense | **195,164,342** | 181,453,624 |
| Depreciation of property, plant and equipment | **1,780,311** | 1,567,260 |
| Depreciation of investment properties | **10,785** | 7,284 |
| Amortisation of prepaid lease payments | **28,309** | 31,908 |
| Amortisation of intangible assets included in administration expenses | **42,072** | 44,158 |
| (Reversal of) allowance for inventories, included in cost of sales | **(116,308)** | 16,600 |
| Minimum lease payments under operating lease of land use rights | **160,345** | 165,960 |

*Note:* The Group participated in a pension scheme contribution plan organised by JCC and entrusted China Life Insurance Company Limited to manage the plan.

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

The emoluments paid or payable to the directors, chief executive and supervisors were as follows:

| | 2016 *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Fees | **342** | 400 |
| Other emoluments | | |
| – Salaries, allowances and welfare | **5,777** | 4,896 |
| – Performance related bonus | **–** | – |
| – Pension scheme contributions | **385** | 312 |
| | **6,162** | 5,208 |
| | **6,504** | 5,608 |

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

| | Fees | Other emoluments | | | Total |
|---|---|---|---|---|---|
| | | Salaries, allowances and welfare | Performance related bonus | Pension scheme contributions | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **For the year ended 31 December 2016** | | | | | |
| **Executive director:** | | | | | |
| Li Baomin *(Chief executive)* | – | 736 | – | 41 | 777 |
| Long Ziping | – | 736 | – | 41 | 777 |
| Gan Chengjiu | – | 429 | – | 24 | 453 |
| Liu Fangyun | – | 429 | – | 24 | 453 |
| Gao Jianmin | – | 200 | – | – | 200 |
| Liang Qing | – | 200 | – | – | 200 |
| Shi Jialiang | – | 29 | – | – | 29 |
| Wu Jinxing | – | 307 | – | 21 | 328 |
| Wu Yuneng | – | 307 | – | 21 | 328 |
| Wang Bo | – | 307 | – | 21 | 328 |
| | – | 3,680 | – | 193 | 3,873 |
| **Independent non-executive director:** | | | | | |
| Qiu Guanzhou | 58 | – | – | – | 58 |
| Zhang Weidong | 100 | – | – | – | 100 |
| Deng Hui *(note)* | – | – | – | – | – |
| Tu Shutian | 100 | – | – | – | 100 |
| Sun Chuangyao | 42 | – | – | – | 42 |
| Liu Erh Fei | 42 | – | – | – | 42 |
| | 342 | – | – | – | 342 |
| **Supervisor:** | | | | | |
| Lin Jinliang | – | 88 | – | 10 | 98 |
| Wu Jinxing | – | 88 | – | 24 | 112 |
| Xie Ming | – | 528 | – | 41 | 569 |
| Hu Qingwen | – | 528 | – | 41 | 569 |
| Wan Sujuan | – | 29 | – | – | 29 |
| Liao Shengsen | – | 220 | – | 21 | 241 |
| Zhang Jianhua | – | 220 | – | 21 | 241 |
| Zeng Min | – | 396 | – | 34 | 430 |
| | – | 2,097 | – | 192 | 2,289 |
| | 342 | 5,777 | – | 385 | 6,504 |

*Note:* During the year, an independent non-executive director who resigned during the year had agreed to waive a remuneration amounting to RMB58,000.

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

| | | Other emoluments | | | |
|---|---|---|---|---|---|
| | Fees | Salaries, allowances and welfare | Performance related bonus | Pension scheme contributions | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **For the year ended 31 December 2015** | | | | | |
| **Executive director:** | | | | | |
| Li Baomin *(Chief executive)* | – | 640 | – | 39 | 679 |
| Long Ziping | – | 640 | – | 39 | 679 |
| Gan Chengjiu | – | 640 | – | 39 | 679 |
| Liu Fangyun | – | 640 | – | 39 | 679 |
| Gao Jianmin | – | 200 | – | – | 200 |
| Liang Qing | – | 200 | – | – | 200 |
| Shi Jialiang | – | 50 | – | – | 50 |
| | – | 3,010 | – | 156 | 3,166 |
| **Independent non-executive director:** | | | | | |
| Qiu Guanzhou | 100 | – | – | – | 100 |
| Zhang Weidong | 100 | – | – | – | 100 |
| Deng Hui | 100 | – | – | – | 100 |
| Tu Shutian | 100 | – | – | – | 100 |
| | 400 | – | – | – | 400 |
| **Supervisor:** | | | | | |
| Lin Jinliang | – | 459 | – | 39 | 498 |
| Wu Jinxing | – | 459 | – | 39 | 498 |
| Xie Ming | – | 459 | – | 39 | 498 |
| Hu Qingwen | – | 459 | – | 39 | 498 |
| Wan Sujuan | – | 50 | – | – | 50 |
| | – | 1,886 | – | 156 | 2,042 |
| | 400 | 4,896 | – | 312 | 5,608 |

The executive directors' emoluments shown above were for their services in connection with the management of affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The five highest paid employees of the Group during the year included two directors (2015: four directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2015: one) highest paid employees who are neither a director, chief executive nor supervisor of the Company are as follows:

| | Salaries, allowances and welfare *RMB'000* | Performance related bonus *RMB'000* | Pension scheme contributions *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **For the year ended 31 December 2016** | | | | |
| Jiang Chunlin | **563** | **–** | **41** | **604** |
| Huang Mingjin | **563** | **–** | **41** | **604** |
| Liu Jianghao | **563** | **–** | **41** | **604** |
| | **1,689** | **–** | **123** | **1,812** |

| | Salaries, allowances and welfare *RMB'000* | Performance related bonus *RMB'000* | Pension scheme contributions *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **For the year ended 31 December 2015** | | | | |
| Wu Yuneng | 489 | – | 39 | 528 |

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of the highest paid employees who are not a director, chief executive or supervisor of the Company whose remuneration fell within the following bands is as follows:

| | **2016 Number of employees** | 2015 Number of employees |
|---|---|---|
| HK$500,001 to HK$1,000,000 | **3** | 1 |
| HK$1,000,001 to HK$1,500,000 | **–** | – |
| HK$1,500,001 to HK$2,000,000 | **–** | – |
| HK$2,000,001 to HK$2,500,000 | **–** | – |
| HK$2,500,001 to HK$3,000,000 | **–** | – |
| | **3** | 1 |

There was no other arrangement under which a director, chief executive or supervisor waived or agreed to waive any remuneration during both years.

## 12. DIVIDENDS

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Dividends recognised as distribution during the year: | | |
| Final dividend of RMB0.1 for 2015 (2015: final dividend of RMB0.2 for 2014) per share | **346,273** | 692,546 |

Subsequent to the end of the reporting period, a final dividend of RMB0.15 in respect of the year ended 31 December 2016 (2015: final dividend of RMB0.1 in respect of the year ended 31 December 2015) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting. The total amount of RMB519,409,000 (2015: RMB346,273,000) of the proposed final dividend, calculated on the Company's number of shares issued at the date of annual report, is not recognised as a liability in the consolidated statement of financial position.

## 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB840,794,000 (2015: RMB689,556,000) and on the number of 3,462,729,405 (2015: 3,462,729,405) ordinary shares in issue during the year.

Diluted earnings per share presented is the same as basic earnings per share because there is no outstanding potential dilutive ordinary shares as at 31 December 2016 and 2015 and during both years.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Buildings and mining infrastructure *RMB'000* | Machinery *RMB'000* | Motor vehicles *RMB'000* | Office equipment *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At 1 January 2015 | 12,733,258 | 17,113,730 | 1,454,119 | 172,635 | 1,992,248 | 33,465,990 |
| Additions | 84,901 | 6,966 | 24,677 | 25,876 | 1,384,478 | 1,526,898 |
| Acquisition of a subsidiary *(note 44)* | 229,312 | 624,442 | 14,472 | 3,228 | 362,373 | 1,233,827 |
| Disposals | (17,553) | (178,518) | (62,174) | (2,533) | – | (260,778) |
| Disposal of a subsidiary *(note 44)* | (25,923) | (9,291) | (12,490) | (133) | – | (47,837) |
| Transfer to prepaid lease payments | – | – | – | – | (165,879) | (165,879) |
| Transfer to investment properties | (1,936) | – | – | – | – | (1,936) |
| Transfers | 533,576 | 356,605 | 26,897 | 24,291 | (941,369) | – |
| At 31 December 2015 | 13,535,635 | 17,913,934 | 1,445,501 | 223,364 | 2,631,851 | 35,750,285 |
| Additions | **14,755** | **71,468** | **7,137** | **13,468** | **1,641,812** | **1,748,640** |
| Disposals | **(83,948)** | **(281,058)** | **(92,952)** | **(6,608)** | **–** | **(464,566)** |
| Transfer to investment properties | **(142,556)** | **–** | **–** | **–** | **–** | **(142,556)** |
| Transfer to deposits for prepaid lease payments | **–** | **–** | **–** | **–** | **(82,150)** | **(82,150)** |
| Transfers | **520,876** | **617,310** | **86,977** | **4,394** | **(1,229,557)** | **–** |
| Transfer to assets classified as held for sale *(note 32)* | **(150,488)** | **(39,404)** | **–** | **–** | **–** | **(189,892)** |
| At 31 December 2016 | **13,694,274** | **18,282,250** | **1,446,663** | **234,618** | **2,961,956** | **36,619,761** |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| At 1 January 2015 | 4,413,012 | 7,534,602 | 900,130 | 74,359 | – | 12,922,103 |
| Provided for the year | 376,341 | 961,805 | 217,415 | 11,699 | – | 1,567,260 |
| Eliminated on disposals | (13,685) | (122,340) | (62,174) | (1,895) | – | (200,094) |
| At 31 December 2015 | 4,775,668 | 8,374,067 | 1,055,371 | 84,163 | – | 14,289,269 |
| Provided for the year | **606,758** | **994,385** | **159,818** | **19,350** | **–** | **1,780,311** |
| Eliminated on disposals | **(64,034)** | **(248,016)** | **(83,340)** | **(5,905)** | **–** | **(401,295)** |
| At 31 December 2016 | **5,318,392** | **9,120,436** | **1,131,849** | **97,608** | **–** | **15,668,285** |
| **ACCUMULATED IMPAIRMENT** | | | | | | |
| At 1 January 2015 | 706 | 39,335 | 3 | 20 | – | 40,064 |
| Write-off for the year | (30) | (25,859) | – | – | – | (25,889) |
| At 31 December 2015 | 676 | 13,476 | 3 | 20 | – | 14,175 |
| Provided for the year | **3,116** | **78** | **590** | **3** | **–** | **3,787** |
| Write-off for the year | **(987)** | **(7)** | **–** | **–** | **–** | **(994)** |
| At 31 December 2016 | **2,805** | **13,547** | **593** | **23** | **–** | **16,968** |
| **CARRYING VALUES** | | | | | | |
| At 31 December 2016 | **8,373,077** | **9,148,267** | **314,221** | **136,987** | **2,961,956** | **20,934,508** |
| At 31 December 2015 | 8,759,291 | 9,526,391 | 390,127 | 139,181 | 2,631,851 | 21,446,841 |

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2016, certain of the Group's buildings and mining infrastructure with a net book value of RMB168,278,000 (2015: RMB172,211,000) were pledged to secure short-term bank borrowings. Certain of the Group's machinery with a net book value of RMB427,555,000 (2015: RMB493,883,000) were pledged to secure long-term bank borrowings.

As at 31 December 2016, the Group was in the process of obtaining property ownership certificates for certain of the Group's buildings with an aggregate carrying value of RMB1,000,377,000 (2015: RMB910,514,000).

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and after taking into account their estimated residual values, using straight-line method, as follows:

| | |
|---|---|
| Building and mining infrastructure | 12 – 45 years |
| Machinery | 8 – 27 years |
| Motor vehicles | 4 – 13 years |
| Office equipment | 5 – 10 years |

## 15. INVESTMENT PROPERTIES

| | *RMB'000* |
|---|---|
| **COST** | |
| At 1 January 2015 | 369,064 |
| Transfer from property, plant and equipment | 1,936 |
| At 31 December 2015 | 371,000 |
| Transfer from property, plant and equipment | **142,556** |
| At 31 December 2016 | **513,556** |
| **ACCUMULATED DEPRECIATION** | |
| At 1 January 2015 | 11,190 |
| Provided for the year | 7,284 |
| At 31 December 2015 | 18,474 |
| Provided for the year | **10,785** |
| At 31 December 2016 | **29,259** |
| **CARRYING VALUES** | |
| At 31 December 2016 | **484,297** |
| At 31 December 2015 | 352,526 |

## 15. INVESTMENT PROPERTIES *(Continued)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using cost model and are classified and accounted for as investment properties. Depreciation is provided to write off the cost of investment properties using straight-line method over the remaining terms of the leases.

All of the Group's investment properties are situated in the PRC under medium-term lease.

## 16. PREPAID LEASE PAYMENTS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Analysed for reporting purpose as: | | |
| Non-current assets | **1,190,259** | 1,221,393 |
| Current assets | **28,309** | 25,078 |
| | **1,218,568** | 1,246,471 |

The Group's leasehold interest in land is held under medium-term lease and is situated in the PRC.

As at 31 December 2016, certain of the Group's prepaid lease payments with a net book value of RMB177,646,000 (2015: RMB263,345,000) were pledged to secure long-term bank borrowings.

As at 31 December 2016, the Group was in process of obtaining prepaid lease ownership certificates for certain of the Group's prepaid leases with an aggregating carrying value of RMB6,197,000 (2015: RMB159,881,000).

## 17. INTANGIBLE ASSETS

| | Mining rights | Trademarks | Others | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'00* | *RMB'000* |
| **COST** | | | | |
| At 1 January 2015 | 1,008,797 | 52,627 | 61,157 | 1,122,581 |
| Additions | 7,432 | – | 3,987 | 11,419 |
| Acquisition of a subsidiary *(note 44)* | – | – | 11,389 | 11,389 |
| Transfer from exploration and evaluation assets | 335,031 | – | – | 335,031 |
| At 31 December 2015 | 1,351,260 | 52,627 | 76,533 | 1,480,420 |
| Additions | **3,620** | **–** | **14,299** | **17,919** |
| Transfer from exploration and evaluation assets | **97,638** | **–** | **–** | **97,638** |
| At 31 December 2016 | **1,452,518** | **52,627** | **90,832** | **1,595,977** |
| **ACCUMULATED AMORTISATION** | | | | |
| At 1 January 2015 | 238,028 | 31,435 | 22,643 | 292,106 |
| Provided for the year | 34,556 | 1,863 | 7,739 | 44,158 |
| At 31 December 2015 | 272,584 | 33,298 | 30,382 | 336,264 |
| Provided for the year | **32,484** | **1,913** | **7,675** | **42,072** |
| At 31 December 2016 | **305,068** | **35,211** | **38,057** | **378,336** |
| **CARRYING VALUES** | | | | |
| At 31 December 2016 | **1,147,450** | **17,416** | **52,775** | **1,217,641** |
| At 31 December 2015 | 1,078,676 | 19,329 | 46,151 | 1,144,156 |

The above item of intangible assets have finite useful lives and are amortised over the estimated useful lives, using straight-line method, as follows:

| | |
|---|---|
| Mining rights | 10 – 50 years |
| Trademarks | 20 years |
| Others | 5 – 20 years |

## 18. EXPLORATION AND EVALUATION ASSETS

| | *RMB'000* |
|---|---|
| **CARRYING AMOUNT** | |
| At 1 January 2015 | 771,890 |
| Additions | 93,332 |
| Transfer to mining rights | (335,031) |
| At 31 December 2015 | 530,191 |
| Additions | **82,208** |
| Transfer to mining rights | **(97,638)** |
| At 31 December 2016 | **514,761** |

## 19. INTERESTS IN ASSOCIATES

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Unlisted cost of investments | **2,940,860** | 2,904,918 |
| Share of post-acquisition losses and other comprehensive expense, net of dividends received | **(217,923)** | (340,332) |
| | **2,722,937** | 2,564,586 |

## 19. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates are set out as follows:

| Name of company | Type | Place of establishment and operation | Registered capital | Proportion of equity held by the Group 2016 | Proportion of equity held by the Group 2015 | Proportion of voting power held by the Group 2016 | Proportion of voting power held by the Group 2015 | Principal activities |
|---|---|---|---|---|---|---|---|---|
| Minmetals Jiangxi Copper Mining Investment Company Limited 五礦江銅礦業投資有限公司 ("Minmetals Jiangxi Copper") | Limited liability company ("LLC") | PRC | RMB3,960,000,000 | **40%** | 40% | **40%** | 40% | Investment holding of a 100% equity interest in a mining company in Peru |
| Asia Development Sure Spread Company Limited 興亚保弘株式會社 | LLC | Japan | Japanese Yen ("JPY")200,000,000 | **49%** | 49% | **49%** | 49% | Import and export of copper products |
| MCC-JCL Aynak Minerals Company Limited 中冶江銅艾娜克礦業有限公司 ("MCC- JCL")# | LLC | Afghanistan | United States dollars 363,648,000 | **25%** | 25% | **25%** | 25% | Exploration and sale of copper products |
| Zhaojue Fengye Smelting Company Limited 昭覺縣逢燁濕法冶煉有限公司 | LLC | PRC | RMB10,000,000 | **47.86%** | 47.86% | **47.86%** | 47.86% | Production and sale of copper cathodes and related products; technology development and provision of services |
| BOCI Securities Limited 中銀國際證券有限責任公司# | LLC | PRC | RMB1,979,167,000 | **6.31%** | 6.31% | **6.31%** | 6.31% | Securities broker and investment advisory |
| Hengbang Property Insurance Company Limited 恒邦財產保險股份有限公司* | LLC | PRC | RMB660,000,000 | **4.75%** | 14.92% | **4.75%** | 14.92% | Provision of insurance services |
| 江西金杯江銅電纜有限公司# | LLC | PRC | RMB20,000,000 | **20%** | – | **20%** | – | Manufacture and sales of wire cables |
| Valuestone Global Resources Fund I LP ("Fund I") 嘉石環球資源基金一期 | Limited liability partnership | Cayman Islands | USD150,000,000 (Fund commitment) | **67%** | – | **40%** | – | Investment in natural resources |

\# The Group is able to exercise significant influence over these companies with the power to participate in the financial and operating policy decisions, but is not control or joint control over those policies. Accordingly, these companies are regarded as associates of the Group.

* The Group lost significant influence over this company after the share issue of the company in October 2016. Accordingly, the company is regarded as an available-for-sale investment of the Group as at 31 December 2016.

Summarised financial information in respect of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

Minmetals Jiangxi Copper and MCC-JCL are material associates to the Group and they are accounted for using the equity method in these consolidated financial statements.

## 19. INTERESTS IN ASSOCIATES *(Continued)*

### Minmetals Jiangxi Copper

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current assets | **70,498** | 53,339 |
| Non-current assets | **4,596,437** | 4,258,701 |
| Current liabilities | **(336,313)** | (78,054) |
| Non-current liabilities | **(1,350,920)** | (1,645,415) |

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue | **–** | – |
| Loss for the year | **(154,496)** | (904,353) |
| Other comprehensive income for the year | **285,626** | 311,100 |
| Total comprehensive income (expenses) for the year | **131,130** | (593,253) |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate in respect of Minmetals Jiangxi Copper recognised in the consolidated financial statements:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Net assets of Minmetals Jiangxi Copper attributable to owners | **2,979,702** | 2,588,571 |
| Proportion of the Group's ownership interest in Minmetals Jiangxi Copper | **40%** | 40% |
| Carrying amount of the Group's interest in Minmetals Jiangxi Copper | **1,191,880** | 1,035,428 |

## 19. INTERESTS IN ASSOCIATES *(Continued)*

**MCC-JCL**

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current assets | **186,327** | 199,792 |
| Non-current assets | **2,551,897** | 2,372,541 |
| Current liabilities | **17,472** | 17,216 |
| Non-current liabilities | **–** | – |

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue | **–** | – |
| Results for the year | **–** | – |
| Other comprehensive income for the year | **165,635** | 155,614 |
| Total comprehensive income for the year | **165,635** | 155,614 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate in respect of MCC-JCL in the consolidated financial statements:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Net assets of MCC-JCL attributable to owners | **2,720,752** | 2,555,117 |
| Proportion of the Group's ownership interest in MCC-JCL | **25%** | 25% |
| Carrying amount of the Group's interest in MCC-JCL | **680,188** | 638,779 |

## 19. INTERESTS IN ASSOCIATES *(Continued)*

### MCC-JCL *(Continued)*

Aggregate information of associates that are not individually material is set out below:

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| The Group's share of profit | **53,241** | 118,729 |
| The Group's share of other comprehensive (expense) income | **(855)** | 1,928 |
| The Group's share of total comprehensive income | **52,386** | 120,657 |

## 20. INTERESTS IN JOINT VENTURES

| | 2016 RMB'000 | 2015 RMB'000 |
|---|---|---|
| Unlisted costs of investment | **428,317** | 407,198 |
| Share of post-acquisition losses and other comprehensive expense, net of dividends received | **(109,931)** | (69,171) |
| Impairment loss | **(34,918)** | – |
| | **283,468** | 338,027 |

Particulars of the joint ventures are set out as follows:

| Name of company | Type | Place of establishment and operation | Registered capital | Proportion of equity held by the Group 2016 | Proportion of equity held by the Group 2015 | Proportion of voting power held by the Group 2016 | Proportion of voting power held by the Group 2015 | Principal activities |
|---|---|---|---|---|---|---|---|---|
| Jiangxi JCC-BIOTEQ Environmental Technologies Company Limited 江銅百泰環保科技有限公司 | LLC | PRC | RMB28,200,000 | **50%** | 50% | **50%** | 50% | Recovery of industrial waste water and related sales |
| Nesko Metal Sanayi re Ticaret Anonim Sirketi | LLC | Istanbul | Turksih Lira 4,520,000,000 | **48%** | 48% | **48%** | 48% | Investment holding of a 99.95% equity interest in a mining company in Albabian |
| Valuestone GP Ltd 嘉石普通合伙人有限公司 | General Partnership | Cayman Islands | USD3,000,000 | **51%** | – | **40%** | – | Fund management |

## 20. INTEREST IN JOINT VENTURES *(Continued)*

Aggregate information of joint ventures that are not individually material is set out below:

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| The Group's share of loss | **(42,259)** | (39,266) |
| The Group's share of other comprehensive (expense) income | **3,499** | 2,917 |
| The Group's share of loss and total comprehensive expense | **(38,760)** | (36,349) |

The directors of the Company are of the opinion that the Group's joint ventures are not material to the consolidated financial statements as a whole, and therefore, except for above, other financial information in respect of these joint ventures are not presented.

## 21. AVAILABLE-FOR-SALE INVESTMENTS

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Unlisted equity investments, at cost *(note a)* | **931,230** | 478,746 |
| Impairment loss recognised | **(20,666)** | (20,666) |
| | **910,564** | 458,080 |
| Financial products, at fair value *(note b)* | **30,000** | 1,338,445 |
| Bonds investment, at fair value *(note c)* | **61,172** | 71,224 |
| Loan investments, at fair value *(note d)* | **3,420,577** | 1,780,000 |
| Investment in a partnership *(note e)* | **400,000** | – |
| | **4,822,313** | 3,647,749 |
| Non-current assets | **1,931,736** | 835,249 |
| Current assets | **2,890,577** | 2,812,500 |
| | **4,822,313** | 3,647,749 |

## 21. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

*Notes:*

(a) The unlisted equity investments represent the Group's equity interests in unlisted PRC companies. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. None of the shareholdings exceeds 20% of the issued capital of the respective investee.

(b) As at 31 December 2016, the financial products held by the Group generate annual target return rate ranged from 8% to 9% (2015: 2.20% to 9.00%), which does not have fixed maturity dates (2015: 12 January 2016 to 26 October 2016). The directors consider that the fair value of the financial products approximate to their costs.

(c) As at 31 December 2016, the bonds investment held by the Group generate annual target return rate ranged from 7.17% to 7.50% (2015: 7.17% to 7.50%), which will due from 22 October 2019 to 31 October 2019 (2015: 22 October 2019 to 31 October 2019). The directors consider that the fair value of the bonds investment approximate to their costs.

(d) The amount represents loan investments arranged via a bank to ten independent securities companies (2015: one independent securities company) with high credit-rating and good reputation. The loan investments have maturity dates which will due from 15 February 2017 to 24 May 2018 (2015: 31 January 2016 to 19 November 2016) and were unsecured and carried interest rates ranging from 2.59% to 9.20% (2015: 5.10% to 9.00%) per annum. The directors consider that the fair value of the loan investments approximate to their costs.

(e) The amount represents the Group's initial capital contribution for setting up a partnership in the PRC with two independent third parties. The principal business of the partnership is for investment management.

## 22. DEFERRED TAXATION

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Deferred tax assets | **960,335** | 918,707 |
| Deferred tax liabilities | **(108,114)** | (109,000) |
| | **852,221** | 809,707 |

## 22. DEFERRED TAXATION *(Continued)*

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

| | Fair value adjustments on property, plant and equipment, prepaid lease payments and exploration and evaluation assets RMB'000 | Impairment of assets RMB'000 | Accrued expenses RMB'000 | Unrealised profits RMB'000 | Tax losses RMB'000 | Fair value change on derivative financial instruments RMB'000 | Fair value change on held-for-trading financial liabilities RMB'000 | Deferred revenue RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2015 | (91,951) | 371,227 | 196,507 | 5,353 | 30,376 | 7,820 | (28,580) | 96,839 | 2,719 | 590,310 |
| Credit to other comprehensive income | – | – | – | – | – | 4,999 | – | – | 1,183 | 6,182 |
| (Charge) credit to profit or loss | (12,946) | 98,571 | (33,372) | 3,150 | 190,979 | (63,725) | 8,685 | 6,522 | 15,351 | 213,215 |
| At 31 December 2015 | (104,897) | 469,798 | 163,135 | 8,503 | 221,355 | (50,906) | (19,895) | 103,361 | 19,253 | 809,707 |
| Credit to other comprehensive income | **–** | **–** | **–** | **–** | **–** | **1,013** | **–** | **–** | **–** | **1,013** |
| (Charge) credit to profit or loss | **1,394** | **(75,290)** | **2,276** | **(3,871)** | **(2,755)** | **107,476** | **(11,368)** | **8,302** | **15,337** | **41,501** |
| At 31 December 2016 | **(103,503)** | **394,508** | **165,411** | **4,632** | **218,600** | **57,583** | **(31,263)** | **111,663** | **34,590** | **852,221** |

As at 31 December 2016, the Group has RMB2,533,606,000 (2015: RMB2,067,292,000) of unused tax losses available for offsetting against future profits in respect of certain subsidiaries. A deferred tax asset has been recognised in respect of RMB921,782,000 (2015: RMB885,420,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB1,611,824,000 (2015: RMB1,181,872,000) due to the unpredictability of future available taxable profit of the subsidiaries to set off against the unused tax losses. The available utilisation period of the unused tax losses to the extent of RMB1,492,673,000 is from year 2017 to year 2021. The remaining unused tax loses of RMB119,151,000 has no expiring date.

As at 31 December 2016, the Group also has deductible temporary differences of RMB1,683,784,000 (2015: RMB283,299,000). 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 difference can be utilised.

## 23. INVENTORIES

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Raw materials | **8,490,333** | 6,693,458 |
| Work in progress | **4,035,254** | 3,094,908 |
| Finished goods | **3,144,937** | 3,968,844 |
| | **15,670,524** | 13,757,210 |
| Less: Allowance for inventories | **(258,138)** | (388,355) |
| | **15,412,386** | 13,368,855 |

As at 31 December 2016, the Group's inventories classified as hedged items under hedging instrument of both standardised commodity derivative contracts and provisional price arrangement. The fair value of the hedged items amounted to RMB2,693,886,000 (2015: RMB2,298,168,000), which are estimated by reference to quoted bid prices of similar standardised commodity derivative contracts at the end of the reporting period. Their fair value measurements are categorised under Level 1.

As at 31 December 2016, certain of the Group's inventories of RMB238,848,000 (2015: RMB72,196,000) were placed as futures margin deposits.

As at 31 December 2016, certain of the Group's inventories amounting to RMB65,335,000 (2015: nil) were pledged to secure bank's acceptance bills.

## 24. TRADE AND BILLS RECEIVABLES

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade receivables | **13,792,028** | 10,603,412 |
| Bills receivables | **3,019,515** | 3,172,899 |
| Factoring receivables | **2,003,582** | 1,386,701 |
| | **18,815,125** | 15,163,012 |
| Less: allowance for doubtful debts | **(2,252,822)** | (957,185) |
| | **16,562,303** | 14,205,827 |

## 24. TRADE AND BILLS RECEIVABLES *(Continued)*

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

As at 31 December 2016, certain of the Group's trade and bill receivables of RMB2,003,582,000 (2015: RMB1,386,701,000) were factoring receivables with recourse, which were repayable within one year and carried interests ranging from 8.02% to 11.11% per annum (2015: 11.11% to 12.45% per annum).

As at 31 December 2016, certain of the Group's trade and bills receivables of RMB448,750,000 (2015: 1,739,991,000) were pledged to secure short-term bank borrowings.

The aged analysis of trade and bills receivables, net of allowance for doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

| | **2016**<br>***RMB'000*** | 2015<br>*RMB'000* |
|---|---|---|
| Within 1 year | **13,748,041** | 11,396,599 |
| 1 – 2 years | **2,216,724** | 2,583,948 |
| 2 – 3 years | **594,124** | 225,029 |
| Over 3 years | **3,414** | 251 |
| | **16,562,303** | 14,205,827 |

Movement in the allowance for doubtful debts:

| | **2016**<br>***RMB'000*** | 2015<br>*RMB'000* |
|---|---|---|
| Balance at 1 January | **957,185** | 836,532 |
| Impairment losses recognised | **1,371,956** | 349,887 |
| Impairment losses reversed | **(75,969)** | (229,234) |
| Amounts written off as uncollectible | **(350)** | – |
| Balance at 31 December | **2,252,822** | 957,185 |

## 24. TRADE AND BILLS RECEIVABLES *(Continued)*

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of RMB1,100,237,000 (2015: RMB148,741,000). The individually impaired trade receivables are due from customers that are in financial difficulties and from whom none of the receivables is expected to be recovered.

Aging of trade receivables which are past due but not impaired:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **1,305,898** | 1,787,127 |
| 1 – 2 years | **–** | 271,266 |
| 2 – 3 years | **161,000** | – |
| Over 3 years | **25,751** | – |
| | **1,492,649** | 2,058,393 |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Trade receivables due from related parties included above are disclosed in note 47.

## 25. TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets that were transferred to banks or suppliers by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

**As at 31 December 2016**

| | **Bills receivables discounted to banks with full recourse** |
|---|---|
| | ***RMB'000*** |
| Carrying amount of transferred assets | **448,750** |
| Carrying amount of associated liabilities | **(448,750)** |
| | **–** |

As at 31 December 2015

| | Bills receivables discounted to banks with full recourse |
|---|---|
| | *RMB'000* |
| Carrying amount of transferred assets | 302,000 |
| Carrying amount of associated liabilities | (302,000) |
| | – |

As at 31 December 2016, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to banks in respect of the discounted bills should the issuing banks fail to settle the bills on maturity date, amounted to RMB448,750,000. (2015: RMB302,000,000).

All the bills receivables discounted to banks have a maturity date of less than six months from the end of the reporting period.

## 26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Prepayments | **2,328,593** | 1,732,390 |
| Deposits and other receivables, net of allowance for doubtful debts | **2,975,633** | 3,276,243 |
| Prepaid value-added tax | **944,775** | 1,786,072 |
| Dividend receivables | **–** | 4,000 |
| Interest receivables | **124,514** | 131,498 |
| | **6,373,515** | 6,930,203 |

Movement in the allowance for doubtful debts

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Balance at 1 January | **650,617** | 333,274 |
| Impairment losses recognised | **24,857** | 317,713 |
| Impairment losses reversed | **(91,454)** | (370) |
| Amounts written off as uncollectible | **–** | – |
| Balance at 31 December | **584,020** | 650,617 |

Included in deposits and other receivables as at 31 December 2016 are futures margin deposits of RMB1,531,706,000 (2015: RMB1,519,074,000).

Prepayments, deposits and other receivables due from related parties included above are disclosed in note 47.

## 27. OTHER INVESTMENTS

| | **2016** **RMB'000** | 2015 *RMB'000* |
|---|---|---|
| Loan investments *(note a)* | **689,707** | 311,799 |

*Notes:*

(a) As at 31 December 2016, the amount represented a loan investment arranged via a bank to an independent securities company (2015: one independent securities company) with high credit-rating and good reputation. The loan receivable has maturity date due on 27 September 2017 (2015: 8 October 2016) and was unsecured and carried particular interest rates. The other floating rates products as at 31 December 2015 had been fully disposed of during the year.

As at 31 December 2016, loan receivables to the extent of RMB49,707,000 (2015: nil) was pledged to secure short-term borrowings and the remaining balance of RMB640,000,000 (2015: nil) was pledged to secure bank acceptance bills.

## 28. LOANS TO FELLOW SUBSIDIARIES

The amounts were guaranteed by JCC, interest bearing at 4.35% per annum (2015: 4.35% per annum) and were repayable within one year.

## 29. HELD-FOR-TRADING FINANCIAL ASSETS

Held-for-trading financial assets include:

| | **2016** **RMB'000** | 2015 *RMB'000* |
|---|---|---|
| Listed equity securities in the PRC | **27,285** | 27,932 |
| Listed debentures with variable interest rate ranging from 0.5% to 6% (2015: 0.2% to 6%) per annum and maturity date not more than two years from the end of the reporting period | **160,750** | 129,015 |
| | **188,035** | 156,947 |

The fair value of the above investments were determined based on the quoted market bid prices at the close of business at the end of reporting month.

## 30. DERIVATIVE FINANCIAL INSTRUMENTS

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **Fair value** | | Fair value | |
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| Net settlement: | | | | |
| Commodity derivative contracts | **297,690** | **(418,847)** | 347,580 | (169,963) |
| Provisional price arrangement | **–** | **(70,554)** | 207,300 | – |
| Foreign currency forward contracts and interest rate swaps | **–** | **(57,164)** | 60,120 | (40,745) |
| | **297,690** | **(546,565)** | 615,000 | (210,708) |

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Derivatives qualifying for hedge accounting: | | |
| Cash flow hedges | | |
| – Commodity derivative contracts | **3,300** | 1,130 |
| Fair value hedges | | |
| – Provisional price arrangement | **(60,140)** | 198,693 |
| | **(56,840)** | 199,823 |
| Derivatives not qualifying for hedge accounting: | | |
| – Commodity derivative contracts | **19,624** | 2,474 |
| – Provisional price arrangement | **(10,414)** | 8,607 |
| | **9,210** | 11,081 |
| Derivatives not under hedge accounting: | | |
| – Commodity derivative contracts | **(144,081)** | 174,013 |
| – Foreign currency forward contracts and interest rate swaps | **(57,164)** | 19,375 |
| | **(201,245)** | 193,388 |
| | **(248,875)** | 404,292 |

The Group uses commodity derivative contracts and provisional price arrangement to hedge its commodity price risk. Commodity derivative contracts utilised by the Group are mainly standardised copper cathode future contracts in SHFE and LME.

## 30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

### (a) Derivatives under hedge accounting:

For the purpose of hedge accounting, hedges of the Group are classified as:

– **Cash flow hedge**

The Group utilises commodity derivative contracts to hedge its exposure to variability in cash flows attributable to price fluctuation risk associated with highly probable forecast sales of copper related products. As at 31 December 2016, the expected delivery period of the forecasted sales for copper related products was from January to March 2017 (2015: from January to March 2016).

– **Fair value hedge**

The Group utilises commodity derivative contracts and provisional price arrangement to hedge its exposure to variability in fair value changes attributable to price fluctuation risk associated with inventories. In addition, the Group utilises commodity derivative contracts to hedge its exposure to variability in fair value changes attributable to price fluctuation risk associated with unrecognised firm commitment to sell copper rods.

At the inception of above hedging relationships, the Group formally designates and documents the hedge relationship, risk management objective and strategy for undertaking the hedge. The cash flow hedge and fair value hedge mentioned above were assessed to be highly effective.

### (b) Derivatives not under hedge accounting:

The Group utilises commodity derivative contracts to manage the commodity price risk of forecasted purchases of copper cathode as well as copper component within copper concentrate, and forecasted sales of copper wires and rods. These arrangements are designed to reduce significant fluctuations in the prices of copper concentrate, copper cathodes, copper wires and rods, and copper related products which move in line with the prevailing price of copper cathode.

The Group utilises gold commodity derivative contracts to manage the fair value change risk of the obligation to return gold with same quantity and quality to banks under gold lease contracts. These arrangements are designed to address significant fluctuation in the fair value of the obligation which move in line with the prevailing price of gold.

In addition, the Group has entered into various foreign currency forward contracts and interest rate swaps to manage its exposures on exchange rate and interest rate.

However, these commodity derivative contracts, foreign currency forward contracts and interest rate swaps are not designated as hedging instruments or not qualified for hedging accounting.

## 31. BANK BALANCES AND CASH/RESTRICTED BANK DEPOSITS

Restricted bank deposits included (i) time deposits of RMB4,223,573,000 (2015: RMB3,134,672,000) which were pledged to secure bank borrowings, letters of credit, guarantees and acceptances issued, and environment protection deposits; and (ii) required reserve deposits of RMB594,820,000 (2015: RMB840,785,000) which were placed with the People's Bank of China, for a subsidiary of the Group providing deposit, loan and financing consultation services. The required reserve deposits with the central bank and the other pledged deposits are not available for use in the Group's daily operation.

As at 31 December 2016, bank balances and cash denominated in currencies other than RMB amounted to RMB8,085,888,000 (2015: RMB8,060,314,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2016, bank balances and cash of RMB3,134,873,000 were placed in banks outside of the PRC.

## 32. ASSETS CLASSIFIED AS HELD FOR SALE

On 6 December 2016, the Group's subsidiary, Sichuan Kangxi Copper Company Limited ("Kangxi Copper"), received local government official's decision to cease production and relocate to another location due to environment protection policies.

At the end of the reporting period, Kangxi Copper's immovable building infrastructure amounting to RMB150,488,000 and immovable machinery amounting to RMB39,404,000 were transferred to assets classified as held for sale.

## 33. TRADE AND BILLS PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **6,160,337** | 4,286,670 |
| Bills payables | **5,656,814** | 4,288,350 |
| | **11,817,151** | 8,575,020 |

The aging analysis of trade and bills payables is presented based on the invoice date at the end of the reporting period as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **11,769,680** | 8,519,959 |
| 1 – 2 years | **7,551** | 35,570 |
| 2 – 3 years | **22,637** | 10,733 |
| Over 3 years | **17,283** | 8,758 |
| | **11,817,151** | 8,575,020 |

The trade payables are normally settled on 60-day to one-year terms.

Trade payables due to related parties included in trade and bills payables are disclosed in note 47.

## 34. OTHER PAYABLES AND ACCRUALS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Payroll and welfare | **794,933** | 619,811 |
| Current portion of employee benefit liability *(note 41)* | **1,977** | 8,013 |
| Interest payable | **102,155** | 169,006 |
| Other tax payables | **188,662** | 170,363 |
| Dividend payable to non-controlling interests of a subsidiary | **64,000** | – |
| Other payables | **2,012,610** | 2,105,764 |
| Advance from customers | **1,350,075** | 1,612,660 |
| Other long-term payables due within one year *(note 42)* | **2,010** | 2,010 |
| | **4,516,422** | 4,687,627 |

Other payables and accruals due to related parties included in other payables and accruals are disclosed in note 47.

## 35. DEPOSITS FROM HOLDING COMPANY AND FELLOW SUBSIDIARIES

Deposits from holding company and fellow subsidiaries represented the deposits placed by related parties of the Group. The deposits carry interest at rates ranging from 0.35% to 2.75% (2015: 0.35% to 2.93%) per annum and will be repaid upon demand of holding company and fellow subsidiaries.

## 36. DEFERRED REVENUE – GOVERNMENT GRANTS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Balance at 1 January | **683,147** | 508,701 |
| Received during the year | **9,596** | 226,162 |
| Recognised in profit or loss *(note 6)* | **(52,664)** | (51,716) |
| Balance at 31 December | **640,079** | 683,147 |
| Analysed for reporting purpose as: | | |
| Non-current liabilities | **592,224** | 634,159 |
| Current liabilities | **47,855** | 48,988 |
| | **640,079** | 683,147 |

The deferred revenue represents government subsidies granted to the Group in relation to its production facilities. It is recognised as deferred income and recognised in profit or loss over the expected useful lives of the facilities.

## 37. HELD-FOR-TRADING FINANCIAL LIABILITIES

The Group entered into certain gold lease contracts with banks. During the lease period, the Group might sell the leased gold to independent third parties. When the lease period expires, the Group shall return the gold with the same quantity and quality to the banks. The obligation to return the gold is recognised as held-for-trading financial liabilities.

## 38. BANK BORROWINGS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bank borrowings – secured | **1,969,635** | 1,928,827 |
| Bank borrowings – unsecured | **13,214,355** | 15,123,659 |
| | **15,183,990** | 17,052,486 |
| Carrying amount repayable: | | |
| On demand or within one year | **14,955,890** | 16,704,886 |
| More than one year, but not exceeding two years | **217,600** | 86,000 |
| More than two years, but not exceeding five years | **–** | 247,600 |
| More than five years | **10,500** | 14,000 |
| | **15,183,990** | 17,052,486 |
| Less: Amount due after one year shown under non-current liabilities | **228,100** | 347,600 |
| Amount due within one year shown under current liabilities | **14,955,890** | 16,704,886 |
| | **15,183,990** | 17,052,486 |

The effective annual interest rates on the Group's bank borrowings range from 0.98% to 4.90% (2015: 0.52% to 7.00%) per annum.

## 39. BONDS PAYABLE

Pursuant to the approval of the China Securities Regulatory Commission (No. [2008] 1102), the Company issued 68,000,000 certificates of bonds with warrants at par with a nominal value of RMB100 each, in an aggregate amount of RMB6.8 billion on 22 September 2008. The bonds with warrants have a life of eight years from the date of issuance and bear interest at a rate of 1.0% per annum which is payable in arrears on 22 September of each year, and with principal repaid on maturity. The bonds carry effective interest rate of 6% per annum. The subscribers of each bond were entitled to receive 25.9 warrants at nil consideration and in aggregate 1,761,200,000 warrants were issued. The warrants had a life of 24 months from the date of listing, that is, from 10 October 2008 to 9 October 2010. At initial recognition, the fair value of the liability component was estimated at the issue date using an equivalent market interest rate for a similar bond without the attached purchase warrants. The residual amount was assigned as the equity component and included in shareholders' equity. All warrants were successfully exercised during the year ended 31 December 2010.

The bonds were listed on the Shanghai Stock Exchange. The bonds were fully repaid on 22 September 2016.

## 40. PROVISION FOR REHABILITATION

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Balance at 1 January | **165,695** | 122,465 |
| Addition | **7,814** | 8,790 |
| Change in discount rate | **–** | 34,440 |
| Balance at 31 December | **173,509** | 165,695 |

The Group makes provision for rehabilitation costs expected to arise on closure of mines. The provision is determined based on the assessments of the cost per square metre to rehabilitate the underground workings, waste dumps, mine site infrastructure, and vegetation zones. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

## 41. EMPLOYEE BENEFIT LIABILITY

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Employee benefit liability | **111,167** | 157,564 |
| Less: Amount due within one year included in other payables and accruals shown under current liabilities *(note 34)* | **(1,977)** | (8,013) |
| Amount due after one year shown as non-current liabilities | **109,190** | 149,551 |

The balance represents the bonus payable to senior management and middle-level management under management incentive schemes. The non-current portion of employee benefit liability is payable from 2018 to 2021 (2015: 2017 to 2021) and is indexed to the rate of growth of the Group's net assets.

## 42. OTHER LONG-TERM PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| The Group's other long-term payables are repayable as follows: | | |
| Within one year | **2,010** | 2,010 |
| More than one year, but not exceeding two years | **2,010** | 2,010 |
| More than two years, but not exceeding five years | **6,029** | 6,029 |
| More than five years | **2,940** | 3,696 |
| | **12,989** | 13,745 |
| Less: Amount due within one year included in other payables and accruals shown under current liabilities *(note 34)* | **(2,010)** | (2,010) |
| Amount due after one year shown as non-current liabilities | **10,979** | 11,735 |

The amount represents the balance due to JCC as the consideration for the transfer of mining rights from JCC to the Company. The amount is repayable in 30 annual instalments of RMB1,870,000 each and subject to payment of interest at a rate equal to the lending rate for a one-year fixed term loan up to a maximum of 15% on each annual instalment starting from 1 January 1998. The interest paid during the year amounted to RMB140,000 (2015: RMB112,000). The interest rate is at 4.35% (2015: 4.30%) per annum.

## 43. SHARE CAPITAL

| | Number of shares | Amount *RMB'000* |
|---|---|---|
| Balance at 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016 | | |
| H shares | 1,387,482,000 | 1,387,482 |
| A shares | 2,075,247,405 | 2,075,247 |
| | 3,462,729,405 | 3,462,729 |

There were no changes in the Company's authorised, issued and fully paid share capital in both years.

Except for the currency in which dividends are paid and the restrictions as to whether the shareholders should be PRC investors, designated investors or foreign investors, H shares and A shares rank pari passu in all respects with each other.

## 44. ACQUISITION OF A SUBSIDIARY/DISPOSAL OF A SUBSIDIARY

### (a) Acquisition of a subsidiary in 2015

In the terms of the shareholders' agreement, the Group had significant influence over 浙江江銅富冶和鼎銅業有限公司("浙江和鼎") and was classified and accounted for an associate. 浙江和鼎 is engaged in production and sale of copper products. In September 2015, the Group entered into a supplementary agreement (the "Agreement") with another equity owner of which the latter agreed to vote in accordance with the instructions of the Group. As a result of the Agreement, the Group obtained control over 浙江和鼎 and the Group deemed to have disposed of 40% equity interest in 浙江和鼎.

## 44. ACQUISITION OF A SUBSIDIARY/DISPOSAL OF A SUBSIDIARY *(Continued)*

### (a) Acquisition of a subsidiary in 2015 *(Continued)*

The acquisition has been accounted for using the acquisition method. The fair value of the previously held interest and the fair values of the identifiable assets and liabilities of 浙江和鼎at the deemed acquisition date were as follows:

| | **Fair value** |
|---|---|
| | *RMB'000* |
| Net assets acquired: | |
| Property, plant and equipment | 1,233,827 |
| Prepaid lease payments | 149,257 |
| Deposits | 21,680 |
| Intangible assets | 11,389 |
| Other current assets | 1,278,279 |
| Bank balances and cash | 589,458 |
| Short-term borrowings | (1,138,452) |
| Other current liabilities | (896,720) |
| Other non-current liabilities | (31,253) |
| Long-term borrowings | (234,000) |
| Net assets acquired | 983,465 |
| Satisfied by: | |
| Cash consideration | – |
| Fair value of interest in an associate disposed of | 376,976 |
| Non-controlling interest | 606,489 |
| | 983,465 |
| Net cash inflow on acquisition of a subsidiary: | |
| Cash consideration | – |
| Cash and cash equivalents acquired | 589,458 |
| | 589,458 |

If the deemed acquisition had been completed on 1 January 2015, the total Group's turnover for the year ended 31 December 2015 would have been approximately RMB189,148,450,000, and profit for the year ended 31 December 2015 would have been RMB778,372,000.

The proforma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

## 44. ACQUISITION OF A SUBSIDIARY/DISPOSAL OF A SUBSIDIARY *(Continued)*

### (b) Disposal of a subsidiary in 2015

On 28 December 2015, the Group disposed of its subsidiary, 江西銅業民爆礦服有限公司(“江西民爆”). The net assets of江西民爆at the date of disposal were as follows:

**Consideration received:**

| | *RMB'000* |
|---|---|
| Cash consideration received | 323,753 |

**Analysis of assets and liabilities over which control was lost:**

| | *RMB'000* |
|---|---|
| Property, plant and equipment | 47,837 |
| Inventories | 1,854 |
| Trade and other receivables | 12,896 |
| Bank balances and cash | 21,341 |
| Other current assets | 6 |
| Trade and other payables | (38,196) |
| Net assets disposed of | 45,738 |

**Gain on disposal of a subsidiary:**

| | *RMB'000* |
|---|---|
| Consideration received | 323,753 |
| Net assets disposed of | (45,738) |
| Gain on disposal | 278,015 |

**Net cash inflow arising on disposal of a subsidiary:**

| | *RMB'000* |
|---|---|
| Cash consideration | 323,753 |
| Less: bank balances and cash disposed of | (21,341) |
| | 302,412 |

## 45. OPERATING LEASES

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Within one year | **170,044** | 167,353 |
| In the second to fifth years inclusive | **1,084** | 167,927 |
| | **171,128** | 335,280 |

Operating lease payments represent rentals payable by the Group for certain of its office premises and land use rights. Leases are negotiated for an average term of three years (2015: three years) and rentals are fixed for an average of three years (2015: three years).

## 46. COMMITMENTS

| | 2016<br>RMB'000 | 2015<br>RMB'000 |
|---|---|---|
| Capital expenditure contracted for but not provided in the Group's consolidated financial statements in respect of: | | |
| Acquisition of property, plant and equipment and exploration and evaluation rights | **1,728,193** | 1,087,896 |
| Investments in associates *(note)* | **2,079,799** | 1,500,504 |
| | **3,807,992** | 2,588,400 |
| Capital expenditure authorised but not contracted for in respect of: | | |
| Acquisition of property, plant and equipment and exploration rights | **–** | 1,021,260 |

## 46. COMMITMENTS *(Continued)*

*Note:*

The Company and China Metallurgical Group Corporation ("CMCC") incorporated MCC-JCL, an associate of the Group in September 2008. Prior to the introduction of other independent investors, the initial shareholding of the Company and CMCC in the MCC-JCL shall be 25% and 75%, respectively. The principal business of MCC-JCL is the exploration and exploitation of minerals in the Central and Western mineralised zones in Aynak Mine in Afghanistan.

The total investment of MCC-JCL shall initially be USD4,390,835,000 and shall be funded by equity funding from shareholders and by project loan financing in the proportions of 30% and 70%, respectively. The capital injection shall be contributed by the Company and CMCC on a pro rata basis. The Company shall not be obliged to provide guarantees, indemnities or capital commitments for the project loan financing.

On 4 August 2016, the Group through its wholly-owned subsidiary, Jiangxi Copper (Hong Kong) Investment Company Limited and an independent third party, CCB International Asset Management Limited (as the promoters), established a Fund, "Valuestone Global Resources Fund I" ("Fund I"). Fund I will initially raise USD150 million of which the Group has undertaken to contribute USD100 million.

As at 31 December 2016, the Group has issued financial guarantees to banks in respect of banking facilities granted to non-controlling interests of a subsidiary to the extent of approximately RMB1,193,139,000.

## 47. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

In addition to the related party transactions set out in the respective notes to the consolidated financial statements, the Group entered into the following material transactions with related parties during the year:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales to holding company | | |
| Sales of auxiliary industrial products | **1,825** | 1,234 |
| Sales to fellow subsidiaries | | |
| Sales of copper rods and wires | **475,735** | 493,772 |
| Sales of copper cathode | **547,387** | 520,196 |
| Sales of lead material | **426,921** | 47,461 |
| Sales of zinc concentrate | **375,707** | 26,498 |
| Sales of auxiliary industrial products | **98,308** | 147,954 |
| Sales of sulphuric acid | **1,439** | 54 |
| Sales of copper waste | **–** | 3,266 |
| Sales of auxiliary materials | **6,560** | 41 |
| | **1,932,057** | 1,239,242 |

## 47. RELATED PARTY TRANSACTIONS *(Continued)*

### (a) Transactions with related parties *(Continued)*

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Sales to an associate | | |
| Sales of sulphuric acid | **738** | – |
| Sales to a joint venture | | |
| Sales of auxiliary industrial products | **8,281** | 3,021 |
| Sales to non-controlling interests and its subsidiaries | | |
| Sales of copper cathode | **4,263,879** | 4,509,713 |
| Sales of copper rods and wires | **1,330,689** | 1,546,136 |
| Sales of other non-ferrous metals | **–** | 7,040 |
| Sales of auxiliary products | **1,256,481** | 233,108 |
| | **6,851,049** | 6,295,997 |
| Purchases from holding company | | |
| Purchases of auxiliary industrial products | **13,209** | 13,754 |
| Purchases from fellow subsidiaries | | |
| Purchases of auxiliary industrial products | **57,819** | 151,697 |
| Purchases of copper concentrate | **15,485** | – |
| | **73,304** | 151,697 |
| Purchases from an associate | | |
| Purchases of copper waste | **–** | 17,444 |

## 47. RELATED PARTY TRANSACTIONS *(Continued)*

### (a) Transactions with related parties *(Continued)*

| | **2016** **RMB'000** | 2015 RMB'000 |
|---|---|---|
| Purchases from a joint venture | | |
| Purchases of cupric sulphide | **43,204** | 50,089 |
| Purchases from non-controlling interests and its subsidiaries | | |
| Purchases of copper cathode | **3,264,745** | 2,423,613 |
| Purchases of copper waste | **–** | 245,095 |
| Purchases of auxiliary industrial products | **126,355** | 38,729 |
| | **3,391,100** | 2,707,437 |
| Financial service received by fellow subsidiaries | | |
| Interest received from loans provided | **36,923** | 44,548 |
| Financial services received from holding company | | |
| Interest paid for deposits made | **5,443** | 2,863 |
| Financial services received from fellow subsidiaries | | |
| Interest paid for deposits made | **15,090** | 10,010 |
| Service fees paid to holding company | | |
| Land lease expenses | **166,665** | 166,665 |
| Labour services | **–** | 11,519 |
| Vehicle transportation services | **–** | 1,329 |
| | **166,665** | 179,513 |
| Service fees paid to fellow subsidiaries | | |
| Repair and maintenance services | **63,049** | 104,016 |
| Brokerage agency services for commodity derivative contracts | **4,626** | 6,533 |
| Labour services | **34,209** | 74,472 |
| Construction services | **62,153** | – |
| Vehicle transportation fee | **1,106** | – |
| Sanitation and greening service | **–** | 2,968 |
| Agency services | **–** | 4,113 |
| | **165,143** | 192,102 |

## 47. RELATED PARTY TRANSACTIONS *(Continued)*

### (a) Transactions with related parties *(Continued)*

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Service fees received from holding company | | |
| Construction services | **3,939** | 3,615 |
| Supply of electricity | **3,649** | 530 |
| Vehicle transportation services | **133** | 7,571 |
| Rentals for public facilities and other services | **–** | 649 |
| Supply of water | **7,756** | – |
| Repair and maintenance services | **–** | 268 |
| Others | **1,325** | 1,818 |
| | **16,802** | 14,451 |
| Service fees received from fellow subsidiaries | | |
| Construction services | **118,087** | 144,372 |
| Supply of electricity | **1,415** | 30,733 |
| Vehicle transportation services | **21,785** | – |
| Supply of equipment with design and installation service | **–** | 395 |
| Rentals for public facilities and other services | **7,974** | 10,996 |
| Supply of water | **30** | – |
| Repair and maintenance services | **–** | 14,484 |
| Others | **5,646** | 17,563 |
| | **154,937** | 218,543 |
| Service fees received from associates | | |
| Construction services | **–** | 627 |
| Service fees received from a joint venture | | |
| Others services | **–** | 8,894 |
| Service fees received from non-controlling and its subsidiaries | | |
| Processing services | **–** | 20,373 |
| Credit services provided to fellow subsidiaries | **1,533,000** | 979,046 |

## 47. RELATED PARTY TRANSACTIONS *(Continued)*

### (a) Transactions with related parties *(Continued)*

During the years ended 31 December 2016 and 2015, the Group's investment properties were leased to fellow subsidiaries of the Group free of charge.

The related party transactions except for transactions with associates, joint ventures and non-controlling interests and its subsidiaries above constitute connected transactions or continuing connected transactions as defined on Chapter 14A of the Listing Rules.

Having due regard to the substance of the relationships, the directors are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.

### (b) Compensation of key management personnel of the Group

The remuneration of key management during the year was as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Short-term employees benefits | **10,442** | 8,842 |
| Post-employment benefits | **655** | 592 |
| Performance related bonus | **50** | 50 |
| | **11,147** | 9,484 |

## 47. RELATED PARTY TRANSACTIONS *(Continued)*

### (c) Balances with related parties

At the end of the reporting period, the Group have the following balances with related parties:

| | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Trade and bills receivables due from holding company | **726** | 2,835 |
| Trade and bills receivables due from fellow subsidiaries | **721,792** | 338,612 |
| Trade and bills receivables due from an associate | **535** | 535 |
| Trade and bills receivables due from a joint venture | **1,079** | 1,789 |
| Trade and bills receivables due from non-controlling interests and its subsidiaries | **–** | 18,463 |
| Prepayments and other receivables due from holding company | **1,933** | 8,731 |
| Prepayments and other receivables due from fellow subsidiaries | **1,003,590** | 995,789 |
| Prepayments and other receivables due from non-controlling interests and its subsidiaries | **2** | 119,099 |
| Prepayments and other receivables due from associates | **–** | 3,398 |
| Prepayments and other receivable due from a joint venture | **2,034** | 2,917 |
| Loans to fellow subsidiaries | **1,082,560** | 945,209 |
| Trade and bills payables due to holding company | **1,624** | 2,815 |
| Trade and bills payables due to fellow subsidiaries | **55,772** | 42,770 |
| Trade and bills payables due to an associate | **884** | – |
| Trade and bills payables due to a joint venture | **–** | 1,435 |
| Trade and bills payables due to non-controlling interests and its subsidiaries | **288,627** | 39,584 |
| Other payables and accruals due to holding company | **10,813** | 173,615 |
| Other payables and accruals due to fellow subsidiaries | **217,031** | 53,460 |
| Other payables and accruals due to non-controlling interests and its subsidiaries | **21,853** | 2,478 |
| Deposits from holding company | **464,288** | 268,229 |
| Deposits from fellow subsidiaries | **1,502,084** | 1,343,347 |
| Other long-term payables due to holding company | **12,989** | 13,745 |

## 47. RELATED PARTY TRANSACTIONS *(Continued)*

### (d) Transactions/balances with other state-controlled entities

The Group itself is part of a larger group of companies under the State-owned Assets Supervision & Administration Commission of the People's Government of Jiangxi Province which is controlled by the PRC government and the Group operates in an economic environment currently pre-dominated by entities controlled, jointly controlled or significantly influenced by the PRC government.

Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the consolidated financial statements, the Group also conducts business with entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government in the ordinary course of business, including majority of its bank deposits and the corresponding interest income, certain bank borrowings and the corresponding finance costs, and significant purchases and sales of copper and other related products.

## 48. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to ensure that it has sufficient capital in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or obtain additional capital from shareholders. No changes were made in the objectives, policies or processes for managing capital during both years.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio between 10% and 50%. Net debt includes interest-bearing bank borrowings, trade and bills payables, financial liabilities included in other payables and accruals less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the Company less the hedging reverses.

## 49. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2016 | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Financial assets | | |
| Loans and receivables | | |
| (including cash and cash equivalents) | | |
| – Trade and bills receivables | **16,562,303** | 14,205,827 |
| – Other receivables | **3,099,563** | 3,407,744 |
| – Other investments | **689,707** | 311,799 |
| – Loans to fellow subsidiaries | **1,082,560** | 945,209 |
| – Restricted bank deposits | **4,818,393** | 3,975,457 |
| – Bank balances and cash | **8,260,268** | 16,705,051 |
| | **34,512,794** | 39,551,087 |
| Financial assets at FVTPL | | |
| Held-for-trading financial assets | **188,035** | 156,947 |
| Derivative financial instruments | **297,690** | 615,000 |
| | **485,725** | 771,947 |
| Derivative financial instruments in designated hedge accounting relationships | **3,300** | 199,823 |
| Available-for-sale investments | **4,822,313** | 3,647,749 |

## 49. FINANCIAL INSTRUMENTS *(Continued)*

### (a) Categories of financial instruments *(Continued)*

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Financial liabilities | | |
| Amortised cost | | |
| – Trade and bills payables | **11,817,151** | 8,575,020 |
| – Other payables | **1,895,953** | 1,753,481 |
| – Deposits from holding company and fellow subsidiaries | **1,966,372** | 1,611,576 |
| – Deposits from third parties | **161,395** | 133,939 |
| – Bank borrowings | **15,183,990** | 17,052,486 |
| – Bonds payable | **–** | 6,554,733 |
| – Other long-term payables | **12,989** | 13,745 |
| | **31,037,850** | 35,694,980 |
| Financial liabilities at FVTPL | | |
| Held-for-trading financial liabilities | **2,682,586** | 1,758,825 |
| Derivative financial instruments | **546,565** | 210,708 |
| | **3,229,151** | 1,969,533 |
| Derivative financial instruments in designated hedge accounting relationships | **(60,140)** | – |

## 49. FINANCIAL INSTRUMENTS *(Continued)*

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

The Group's major financial instruments include available-for-sale investments, trade and bills receivables, other receivables, other investments, loans to fellow subsidiaries, restricted bank deposits, bank balances and cash, held-for trading financial assets, trade and bills payables, other payables, deposits from holding company and fellow subsidiaries, bank borrowings, bonds payable, other long-term payables, held-for trading financial liabilities 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 Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Interest rate risk**

The Group's exposure to interest rate risk for changes in interest rates relates primarily to the Group's cash at bank and bank borrowings with floating interest rates. The management continuously monitors interest rate fluctuation and will consider further hedging interest rate risk should the need arise.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The management considers the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

The sensitivity analysis below has been determined based on the exposure to interest rates for floating interest bearing bank borrowings at the end of reporting period assuming the stipulated changes taking place at the beginning of the reporting period and held constant throughout the reporting period.

If interest rates had been 100 basis points (2015: 100 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation would decrease/increase by RMB2,350,000 (2015: decrease/increase by RMB14,815,000).

## 49. FINANCIAL INSTRUMENTS *(Continued)*

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

**Foreign currency risk**

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, bank borrowings and derivative financial instruments, at the end of the reporting period are as follows:

| | **Assets** | | Liabilities | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| USD | **3,376,436** | 9,328,151 | **2,019,688** | 12,399,706 |
| RMB | **520,838** | 460,083 | **1,588,560** | 343,871 |
| HKD | **262** | – | **–** | 33,388 |
| Australian dollars ("AUS") | **662** | 592 | **–** | – |
| Japanese Yen ("JPY") | **–** | – | **–** | 67,669 |
| European dollars ("EUR") | **189,748** | 190,006 | **2,371** | – |
| Singapore dollars ("SGD") | **–** | – | **27,996** | 141,314 |
| Swiss Francs ("CHF") | **79,988** | – | **–** | – |

## 49. FINANCIAL INSTRUMENTS *(Continued)*

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

**Foreign currency risk *(Continued)***

The Group does not carry out active currency hedging. Currency protection measures may be needed in specific commercial circumstances and are subject to strict limits laid down by the board of directors.

The Group is mainly exposed to foreign currency risk in USD, CHF, EUR and SGD against RMB. In addition, overseas subsidiaries exposed to RMB currency risk. The following table details the Group's sensitivity to a 5% change in the respective foreign currencies against RMB. The 5% is the rate used when reporting foreign currency risk internally to key management personnel and represents directors' assessment of the possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the end of the reporting periods and held constant throughout the reporting period.

| | (Decrease) increase in profit before taxation | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| If USD strengthens against RMB by 5% | **67,837** | (33,233) |
| If USD weakens against RMB by 5% | **(67,837)** | 33,233 |
| If EUR strengthens against RMB by 5% | **9,369** | 9,500 |
| If EUR weakens against RMB by 5% | **(9,369)** | (9,500) |
| If SGD strengthens against RMB by 5% | **(1,414)** | (7,066) |
| If SGD weakens against RMB by 5% | **1,414** | 7,066 |
| If CHF strengthens against RMB by 5% | **3,999** | – |
| If CHF weakens against RMB by 5% | **(3,999)** | – |
| If RMB strengthens against HKD by 5% | **(53,386)** | 6,425 |
| If RMB weakens against HKD by 5% | **53,386** | (6,425) |

In directors' opinion, the sensitivity analysis is unpresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

## 49. FINANCIAL INSTRUMENTS *(Continued)*

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

**Commodity price risk**

The Group's commodity price risk is mainly the exposure to fluctuations in the prevailing market price of copper cathodes which are the major commodities produced and sold by the Group. To minimise this risk, the Group enters into commodity derivative contracts and provisional price arrangements to manage the Group's exposure in relation to forecasted sales of copper products, forecasted purchases of copper concentrate, inventories and firm commitments to sell copper rods and wires.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in prevailing market price of copper cathodes, with all other variables held constant, of the Group's profit before taxation and equity (due to changes in the fair values of commodity derivative contracts and the provisional price arrangement) after the impact of hedge accounting.

| | **(Decrease) increase in profit before taxation** | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| If market price of cooper increased by 5% | **(237,023)** | (138,338) |
| If market price of copper decreased by 5% | **237,023** | 138,338 |

**Credit risk**

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, other receivables, other investments, loans to fellow subsidiaries and certain derivative instruments and discounted and endorsed bills arrangement with full recourse, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

There is no requirement for collateral and no significant concentrations of credit risk within the Group. As at 31 December 2016, 27.79% (2015: 32.27%) of the Group's trade receivables were due from the Group's five largest customers.

There is concentration of credit risk on restricted bank deposits and bank balances for the Group at the end of reporting period. The credit risk on liquid funds is limited because majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state owned banks with good reputation.

## 49. 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, and borrowing loans from banks.

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on the contractual undiscounted payments on the earliest date on which the Group can be required to pay.

| | Weighted average effective interest rate | On demand and within one year | Over 1 year but not more than 5 years | Over 5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2016** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade and bills payables | – | 11,817,151 | – | – | 11,817,151 | 11,817,151 |
| Other payables | – | 1,895,953 | – | – | 1,895,953 | 1,895,953 |
| Deposits from holding company and fellow subsidiaries | 1.55% | 1,996,851 | – | – | 1,996,851 | 1,966,372 |
| Deposits from third parties | 1.55% | 161,814 | – | – | 161,814 | 161,395 |
| Bank borrowings | 3.48% | 15,476,355 | 225,172 | 10,866 | 15,712,393 | 15,183,990 |
| Held-for-trading financial liabilities | – | 2,682,586 | – | – | 2,682,586 | 2,682,586 |
| Other long-term payables | 6.00% | 2,131 | 9,306 | 3,116 | 14,553 | 12,989 |
| | | 34,032,841 | 234,478 | 13,982 | 34,281,301 | 33,720,436 |
| **Derivatives – net settlement** | | | | | | |
| – net inflow | | (297,690) | – | – | (297,690) | (297,690) |
| – net outflow | | 546,565 | – | – | 546,565 | 546,565 |
| | | 248,875 | – | – | 248,875 | 248,875 |

## 49. FINANCIAL INSTRUMENTS *(Continued)*

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

**Liquidity risk *(Continued)***

| | Weighted average effective interest rate | On demand and within one year *RMB'000* | Over 1 year but not more than 5 years *RMB'000* | Over 5 years *RMB'000* | Total undiscounted cash flows *RMB'000* | Carrying amount *RMB'000* |
|---|---|---|---|---|---|---|
| At 31 December 2015 | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade and bills payables | – | 8,575,020 | – | – | 8,575,020 | 8,575,020 |
| Other payables | – | 1,753,481 | – | – | 1,753,481 | 1,753,481 |
| Deposits from holding company and fellow subsidiaries | 2.24% | 1,647,675 | – | – | 1,647,675 | 1,611,576 |
| Deposits from third parties | 2.24% | 135,544 | – | – | 135,544 | 133,939 |
| Bank borrowings | 2.60% | 17,139,213 | 355,644 | 14,364 | 17,509,221 | 17,052,486 |
| Bonds payables | 1.00% | 6,620,280 | – | – | 6,620,280 | 6,554,733 |
| Held-for-trading financial liabilities | – | 1,758,825 | – | – | 1,758,825 | 1,758,825 |
| Other long-term payables | 6.00% | 2,131 | 9,306 | 3,918 | 15,355 | 13,745 |
| | | 37,632,169 | 364,950 | 18,282 | 38,015,401 | 37,453,805 |
| **Derivatives – net settlement** | | | | | | |
| – net inflow | | (615,000) | – | – | (615,000) | (615,000) |
| – net outflow | | 210,708 | – | – | 210,708 | 210,708 |
| | | (404,292) | – | – | (404,292) | (404,292) |

Bank borrowings with a repayment on demand clause is included in the "on demand and within 1 year" time band in the above maturity analysis. As at 31 December 2016, the aggregate undiscounted principal amounts of this bank borrowing amounted to RMB4,035,149,000 (2015: RMB3,267,355,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The directors believe that such bank borrowing will be repaid two years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB4,140,063,000 (2015: RMB3,293,302,000).

## 49. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

In estimating the fair value of the Group's financial assets and financial liabilities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group will assess the valuation of financial instruments based on discounted cash flow or quoted bid prices of the trading day in the over-the-counter markets at the end of each reporting period. At the end of the reporting period, the management of the Group will exercise their judgements based on their experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company.

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

## 49. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value measurements of financial instruments *(Continued)*

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)***

| Financial assets/financial liabilities | Fair value as at 31 December 2016 | Fair value as at 31 December 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| 1. Listed equity securities classified as held-for-trading financial assets | Assets - RMB27,285,000 | Assets - RMB27,932,000 | Level 1 | Quoted bid prices in active markets. | N/A | N/A |
| 2. Listed debenture investments classified as held-for-trading financial assets | Assets - RMB160,750,000 | Assets - RMB129,015,000 | Level 1 | Quoted bid prices in active markets. | N/A | N/A |
| 3. Standardised commodity derivative contracts classified as derivative financial instruments | Assets - RMB143,222,000<br>Liabilities - RMB286,568,000 | Assets - RMB187,595,000<br>Liabilities - RMB8,583,000 | Level 1 | Quoted bid prices in active markets. | N/A | N/A |
| 4. Gold lease contracts classified as held-for-trading financial liabilities | Liabilities - RMB2,682,586,000 | Liabilities - RMB1,758,825,000 | Level 1 | Quoted bid prices in active markets. | N/A | N/A |
| 5. Non-standardised commodity derivative contracts classified as derivative financial instruments | Assets - RMB154,468,000<br>Liabilities - RMB132,279,000 | Assets - RMB159,985,000<br>Liabilities - RMB161,380,000 | Level 2 | Discounted cash flow or option pricing models. The fair value of the commodity derivative contracts is estimated by reference to the quoted bid prices of similar standardised commodity derivative contracts at the end of the reporting period. | N/A | N/A |
| 6. Foreign currency forward contracts classified as derivative financial instruments | Liabilities - RMB53,487,000 | Assets - RMB60,120,000<br>Liabilities - RMB40,109,000 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. | N/A | N/A |

## 49. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value measurements of financial instruments *(Continued)*

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)***

| Financial assets/financial liabilities | Fair value as at 31 December 2016 | Fair value as at 31 December 2015 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| 7. Interest rate swap contracts classified as derivative financial instruments | Liabilities - RMB3,677,000 | Liabilities - RMB636,000 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties. | N/A | N/A |
| 8. Provisional price arrangement classified as derivative financial instruments | Liabilities - RMB70,554,000 | Assets - RMB207,300,000 | Level 2 | Discounted cash flow. The fair value of the provisional price arrangement is estimated by reference to the quoted bid prices of similar standardised commodity derivative contracts at the end of the reporting period and the inception price of the contracts. | N/A | N/A |
| 9. Bonds investment classified as available-for-sale investments | Assets - RMB61,172,000 | Assets - RMB71,224,000 | Level 2 | Discounted cash flow. Fair value are estimated based on its expected cash flows discounted by quoted annual return rate of similar bonds investments. | N/A | N/A |
| 10. Financial products classified as available-for-sale investments | Assets - RMB30,000,000 | Assets - RMB1,338,445,000 | Level 3 | Discounted cash flow. Fair value are estimated based on its expected cash flows discounted by unquoted annual return rate of similar financial products. | Unquoted annual return rate of similar financial products provided by counterparties. | The higher the unquoted annual return rate, the lower the fair value. |
| 11. Loan investments classified as available-for-sale investments | Assets - RMB3,420,577,000 | Assets - RMB1,780,000,000 | Level 3 | Discounted cash flow. Fair value are estimated based on its expected cash flows discounted by unquoted annual return rate of similar financial products. | Unquoted annual return rate of similar financial products provided by counterparties. | The higher the unquoted annual return rate, the lower the fair value. |
| 12. Investment in a partnership classified as available-for-sale investments | Assets - RMB400,000,000 | Nil | Level 3 | Discounted cash flow. Fair value are estimated based on its expected cash flows discounted by unquoted annual return rate of similar investments | Unquoted annual return rate of similar investment provided by counterparties. | The higher the unquoted annual return rate, the lower the fair value. |

There were no transfers between Level 1, 2 and 3 during the year.

## 49. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value measurements of financial instruments *(Continued)*

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)***

| | 2016 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **Fair value hierarchy** | | | | |
| Financial assets at FVTPL | | | | |
| Held-for-trading financial assets | **188,035** | **–** | **–** | **188,035** |
| Derivative financial instruments | **143,222** | **154,468** | **–** | **297,690** |
| Available-for-sale investments | **–** | **61,172** | **3,850,577** | **3,911,749** |
| Total | **331,257** | **215,640** | **3,850,577** | **4,397,474** |
| Financial liabilities at FVTPL | | | | |
| Held-for-trading financial liabilities | **2,682,586** | **–** | **–** | **2,682,586** |
| Derivative financial instruments | **286,568** | **259,997** | **–** | **546,565** |
| Total | **2,969,154** | **259,997** | **–** | **3,229,151** |

| | 2015 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Fair value hierarchy** | | | | |
| Financial assets at FVTPL | | | | |
| Held-for-trading financial assets | 156,947 | – | – | 156,947 |
| Derivative financial instruments | 187,595 | 427,405 | – | 615,000 |
| Available-for-sale investments | – | 71,224 | 3,118,445 | 3,189,669 |
| Total | 344,542 | 498,629 | 3,118,445 | 3,961,616 |
| Financial liabilities at FVTPL | | | | |
| Held-for-trading financial liabilities | 1,758,825 | – | – | 1,758,825 |
| Derivative financial instruments | 8,583 | 202,125 | – | 210,708 |
| Total | 1,767,408 | 202,125 | – | 1,969,533 |

## 49. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value measurements of financial instruments *(Continued)*

**Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

| | **2016** | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Carrying amount** ***RMB'000*** | **Fair value** ***RMB'000*** | **Fair value hierarchy** | Carrying amount *RMB'000* | Fair value *RMB'000* | Fair value hierarchy |
| **Financial liabilities** | | | | | | |
| Bonds payable | **–** | **–** | **N/A** | 6,554,733 | 6,720,440 | Level 2 |

**Reconciliation of Level 3 fair value measurements**

Reconciliation of Level 3 fair value measurement of available-for-sale investments:

| | **2016** ***RMB'000*** | 2015 *RMB'000* |
|---|---|---|
| Balance at 1 January | **3,118,445** | 1,843,000 |
| Total gain recognised in profit or loss | **240,773** | 167,673 |
| Purchases | **5,095,577** | 4,727,500 |
| Settlements | **(4,604,218)** | (3,619,728) |
| Balance at 31 December | **3,850,577** | 3,118,445 |

Included in other comprehensive income is an expense of RMB9,997,000 (2015: income of RMB1,764,000) relates to available-for sale investments held at the end of the current reporting period.

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries are as follows:

| Name of company | Type | Place of incorporation/ establishment and operations | Paid-up capital/ registered capital | Proportion of equity held by the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2016 | | 2015 | | 2016 | 2015 | |
| | | | | Directly | Indirectly | Directly | Indirectly | | | |
| JCC Finance Company Limited 江西銅業集團財務有限公司 | LLC | PRC | RMB1,000,000,000 | **85.68%** | **1.67%** | 85.68% | 1.67% | **87.35%** | 87.35% | Provision of deposit, loan, guarantee and financing consultation services to related parties |
| JCC Copper Products Company Limited 江西銅業集團銅材有限公司 | LLC | PRC | RMB186,391,000 | **98.89%** | **–** | 98.89% | – | **98.89%** | 98.89% | Processing and sale of copper rods |
| JCC Recycling Company Limited 江西銅業集團(貴溪)再生資源有限公司 | LLC | PRC | RMB6,800,000 | **55.88%** | **44.12%** | 55.88% | 44.12% | **100%** | 100% | Collection and sale of metal scrap |
| Sure Spread Company Limited 保弘有限公司 | LLC | Hong Kong | HKD50,000,000 | **–** | **100%** | – | 100% | **100%** | 100% | International trading and provision of related technical service |
| JCC Yinshan Mining Company Limited 江西銅業集團銀山礦業有限責任公司 | LLC | PRC | RMB30,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Manufacture and sale of non-ferrous metal and rare materials |
| JCC Dongtong Mining Company Limited 江西銅業集團東同礦業有限責任公司 | LLC | PRC | RMB46,209,000 | **100%** | **–** | 100% | – | **100%** | 100% | Manufacture and sale of non-ferrous metal and rare materials |
| JCC Dongxiang Alloy Materials Manufacturing Company Limited 江西銅業集團(東鄉)鑄造有限公司 | LLC | PRC | RMB29,000,000 | **–** | **74.97%** | – | 74.97% | **74.97%** | 74.97% | Production and sale of grinding pebbles, casting of machine tools and wear-resistant parts, cast steel processing, machine work and reclaiming waste steel |
| Jiangxi Copper Yates Copper Foil Company Limited 江西省江銅-耶茲銅箔有限公司 | LLC | PRC | RMB453,600,000 | **89.77%** | **–** | 89.77% | – | **89.77%** | 89.77% | Production and sale of copper foil |
| Jiangxi Copper (Longchang) Precise Pipe Company Limited 江西江銅龍昌精密銅管有限公司 | LLC | PRC | RMB890,529,000 | **92.04%** | **–** | 92.04% | – | **92.04%** | 92.04% | Production and sale of copper pipes and other copper pipe products |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of company | Type | Place of incorporation/ establishment and operations | Paid-up capital/ registered capital | Proportion of equity held by the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2016 | | 2015 | | 2016 | 2015 | |
| | | | | Directly | Indirectly | Directly | Indirectly | | | |
| Jiangxi Copper Taiyi Special Electrical Materials Company Limited 江西省江銅–台意特種電工材料有限公司 | LLC | PRC | USD16,800,000 | 70% | – | 70% | – | 70% | 70% | Production and sale of enamelled wires and provision of repair and consulting services |
| JCC (Guixi) Metallurgical and Chemical Engineering Company Limited 江西銅業集團(貴溪)冶金化工工程有限公司 | LLC | PRC | RMB35,080,000 | 100% | – | 100% | – | 100% | 100% | Provision of repair and maintenance services for production facilities and machinery equipment |
| JCC (Guixi) New Metallurgical and Chemical Company Limited 江西銅業集團(貴溪)冶化新技術有限公司 | LLC | PRC | RMB2,000,000 | 100% | – | 100% | – | 100% | 100% | Development of new chemical technologies and new products |
| JCC Guixi Logistics Company Limited 江西銅業集團(貴溪)物流有限公司 | LLC | PRC | RMB40,000,000 | 100% | – | 100% | – | 100% | 100% | Provision of transportation services |
| JCC (Dexing) Alloy Materials Manufacturing Company Limited 江西銅業集團(德興)鑄造有限公司 | LLC | PRC | RMB66,380,000 | 100% | – | 100% | – | 100% | 100% | Production and sale of alloy grinding pebbles and metal casting; maintenance of mechanical and electrical equipment; installation and debugging of equipment |
| JCC (Dexing) Construction Company Limited 江西銅業集團(德興)建設有限公司 | LLC | PRC | RMB50,000,000 | 100% | – | 100% | – | 100% | 100% | Provision of construction and installation services; development and sale of construction materials |
| JCC Dexing Explosion Company Limited 江西銅業集團(德興)爆破有限公司 | LLC | PRC | RMB1,000,000 | – | 100% | – | 100% | 100% | 100% | Production and sale of engineering, including blasting engineering |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of company | Type | Place of incorporation/ establishment and operations | Paid-up capital/ registered capital | Proportion of equity held by the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2016 | | 2015 | | 2016 | 2015 | |
| | | | | Directly | Indirectly | Directly | Indirectly | | | |
| JCC Geology Exploration Company Limited 江西銅業集團地勘工程有限公司 | LLC | PRC | RMB15,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Provision of services relating to mine exploration and development processing |
| Jiangxi Copper Corporation Drill Project Company Limited 江西銅業集團井巷工程有限公司 | LLC | PRC | RMB20,296,000 | **100%** | **–** | 100% | – | **100%** | 100% | Providing mining services |
| JCC (Ruichang) Alloy Materials Manufacturing Company Limited 江西銅業集團(瑞昌)鑄造有限公司 | LLC | PRC | RMB2,602,000 | **100%** | **–** | 100% | – | **100%** | 100% | Manufacture and sale of new type of ductile iron ball parameters, wear resistant material and products; machinery |
| JCC Qianshan Copper Concentration Pharmaceuticals Company Limited 江西銅業集團(鉛山)選礦藥劑有限公司 | LLC | PRC | RMB10,200,000 | **100%** | **–** | 100% | – | **100%** | 100% | Sale of beneficiation drugs, fine chemicals and other products |
| Hangzhou Tongxin Company Limited 杭州銅鑫物資有限公司 | LLC | PRC | RMB2,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Sale of metal, ore and chemical products |
| 江西銅業技術研究院有限公司 | LLC | PRC | RMB45,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Research and development |
| Sichuan Kangtong Copper Company Limited 四川康西銅業有限責任公司 | LLC | PRC | RMB286,880,000 | **57.14%** | **–** | 57.14% | – | **57.14%** | 57.14% | Sale of copper materials, precious metal materials and sulphuric acid |
| Jiangxi Copper Products Company Limited 江西銅業銅材有限公司 | LLC | PRC | RMB225,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Sale and processing of copper rods and wires |
| 浙江江銅富冶和鼎銅業有限公司 | LLC | PRC | RMB1,280,000,000 | **40%** | **–** | 40% | – | **40%** | 40% | Manufacturing and sale |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of company | Type | Place of incorporation/ establishment and operations | Paid-up capital/ registered capital | Proportion of equity held by the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2016 | | 2015 | | 2016 | 2015 | |
| | | | | Directly | Indirectly | Directly | Indirectly | | | |
| Shenzhen Jiangxi Copper Marketing Company Limited 深圳江銅營銷有限公司 | LLC | PRC | RMB660,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Sale of copper products |
| Jiangxi Copper Shanghai Trading Company Limited 上海江銅營銷有限公司 | LLC | PRC | RMB200,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Sale of copper products |
| Jiangxi Copper Beijing Trading Company Limited 北京江銅營銷有限公司 | LLC | PRC | RMB261,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Sale of copper products |
| Thermonamic Electronics (Jiangxi) Company Limited 江西納米克熱電電子股份有限公司 | LLC | PRC | RMB70,000,000 | **95%** | **–** | 95% | – | **95%** | 95% | Development and production of electronic semiconductors and provision of related services |
| Jiangxi Jiangtong-Wengfu Chemical Industry Company Limited 江西省江銅–瓮福化工有限責任公司 | LLC | PRC | RMB181,500,000 | **70%** | **–** | 70% | – | **70%** | 70% | Manufacture and sale of sulphuric acid and by-products |
| Jiangxi Copper Construction Supervision Company Limited 江西銅業建設監理諮詢有限公司 | LLC | PRC | RMB3,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Construction supervision, construction cost consulting, bidding and project agency, technical consultation, project evaluation and information service |
| Jiangxi Copper (Guangzhou) Copper Production Company Limited 廣州江銅銅材有限公司 | LLC | PRC | RMB800,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Production, processing and sale of copper products and wires |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of company | Type | Place of incorporation/ establishment and operations | Paid-up capital/ registered capital | Proportion of equity held by the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 2016 | | 2015 | | 2016 | 2015 | |
| | | | | Directly | Indirectly | Directly | Indirectly | | | |
| Jiangxi Copper International Trade Company Limited 江銅國際貿易有限公司 | LLC | PRC | RMB1,000,000,000 | **60%** | **–** | 60% | – | **60%** | 60% | Sale of metals, chemicals, mining products, construction materials, and etc. |
| Jiangxi Copper Dexing Chemical Company Limited 江西銅業(德興)化工有限公司 | LLC | PRC | RMB333,184,500 | **100%** | **–** | 100% | – | **100%** | 100% | Manufacture and sale of chemical products |
| Jiangxi Copper Recycling Company Limited 江西銅業再生資源有限公司 | LLC | PRC | RMB250,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Collection and sale of metal scrap |
| Loyal Sky Industrial Company Limited 鴻天實業有限公司 | LLC | Hong Kong | USD2,001,300 | **–** | **100%** | – | 100% | **100%** | 100% | Trading of copper products and non-ferrous metals |
| Jiangxi Copper Company Hong Kong Limited 江西銅業香港有限公司 | LLC | Hong Kong | USD10,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Trading of copper products and non-ferrous metals |
| Jiangxi Copper Shanghai International Logistics Company Limited 上海江銅國際物流有限公司 | LLC | PRC | RMB5,000,000 | **–** | **100%** | – | 100% | **100%** | 100% | Provision of logistics service |
| Jiangxi Copper Yugan Forge & Alloy Company Limited 江西銅業集團(餘干)鍛鑄有限公司 | LLC | PRC | RMB28,000,000 | **–** | **100%** | – | 100% | **100%** | 100% | Production and sale of alloy grinding pebbles |
| 江銅供應鏈管理有限公司 | LLC | PRC | RMB200,000,000 | **–** | **100%** | – | 100% | **100%** | 100% | Warehouse, storage and logistics |
| Jiangxi Copper Chengdu Trading Company Limited 成都江銅營銷有限公司 | LLC | PRC | RMB60,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Sale of metals, chemicals, mining products |
| 江銅國際商業保理有限責任公司 | LLC | PRC | RMB400,000,000 | **–** | **100%** | – | 100% | **100%** | 100% | Treasury and provision of financial services |
| 江銅國際(新加坡)有限公司 | LLC | Singapore | USD35,000,000 | **–** | **100%** | – | 100% | **100%** | 100% | Trading of copper products and non-ferrous metals |

## 50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

| Name of company | Type | Place of incorporation/ establishment and operations | Paid-up capital/ registered capital | Proportion of equity held by the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | **2016** | | 2015 | | **2016** | 2015 | |
| | | | | **Directly** | **Indirectly** | Directly | Indirectly | | | |
| 江銅國際礦業投資(伊斯坦布爾)股份有限公司 | LLC | Turkey | USD62,400,000 | **100%** | **–** | 100% | – | **100%** | 100% | Holding company |
| 江銅華北(天津)銅業有限公司 | LLC | PRC | RMB510,204,082 | **51%** | **–** | 51% | – | **51%** | 51% | Provision of auxiliary services |
| Jiangxi Copper (Qingyuan) Company Limited 江西銅業(清遠)有限公司 | LLC | PRC | RMB890,000,000 | **100%** | **–** | 100% | – | **100%** | 100% | Manufacturing and sale |
| 上海江銅投資控股有限公司 | LLC | PRC | RMB169,842,011 | **100%** | **–** | 100% | – | **100%** | 100% | Property holding and interior Design |
| Shangri La Bisidaji Mining Company Limited 香格里拉市必司大吉礦業有限公司 | LLC | PRC | RMB5,000,000 | **51%** | **–** | 51% | – | **51%** | 51% | Exploration of copper mining |
| 江西銅業(香港)投資有限公司 | LLC | Hong Kong | USD105,000,000 | **100%** | **–** | – | – | **100%** | – | Photovoltaic power generation |
| 江西銅業酒店管理有限公司 | LLC | Hong Kong | RMB15,000,000 | **100%** | **–** | – | – | **100%** | – | Accommodation services |
| 深圳前海科珀實業有限公司 | LLC | PRC | USD10,000,000 | **–** | **100%** | – | – | **100%** | – | Import and export processing |
| 江西銅業(鉛山)光伏發電有限公司 | LLC | PRC | RMB51,000,000 | **100%** | **–** | – | – | **100%** | – | Photovoltaic power generation |
| 江西銅業(開曼)礦業投資有限公司 | LLC | Cayman Islands | RMB150,000 | **–** | **100%** | – | – | **100%** | – | Providing mining investment |

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 and liabilities 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 2016 and 2015 or at any time during both years.

The directors of the Company are of the opinion that none of the Group's subsidiaries that has non-controlling interests are material to the consolidated financial statements as a whole and therefore, the financial information in respect of those subsidiaries that has non-controlling interests are not presented.

## 51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2016<br>*RMB'000* | 2015<br>*RMB'000* |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **14,282,079** | 14,513,454 |
| Unlisted investments in subsidiaries | **9,996,442** | 9,996,442 |
| Unlisted investments in a joint venture | **15,161** | 14,100 |
| Unlisted investments in associates | **2,823,454** | 2,813,208 |
| Available-for-sale investments | **495,880** | 704,025 |
| Investment properties | **175,553** | 174,407 |
| Intangible assets | **1,319,401** | 1,291,275 |
| Exploration and evaluation assets | **514,761** | 495,482 |
| Deferred tax assets | **409,705** | 289,179 |
| Other non-current assets | **200,692** | 149,979 |
| | **30,233,128** | 30,441,551 |
| **Current assets** | | |
| Inventories | **10,133,959** | 8,905,744 |
| Bank balances and cash | **6,779,369** | 17,211,491 |
| Derivative financial instruments | **–** | 333,046 |
| Trade and bills receivables | **7,805,826** | 5,888,727 |
| Prepayments, deposit and other receivables | **2,093,083** | 1,841,636 |
| Available-for-sale investments | **–** | 200,000 |
| Other current assets | **710,675** | 1,079,650 |
| | **27,522,912** | 35,460,294 |
| **Current liabilities** | | |
| Trade and bills payables | **2,186,387** | 4,975,450 |
| Other payables and accruals | **2,323,331** | 1,897,058 |
| Derivative financial instruments | **1,666,493** | 37,954 |
| Bank borrowings | **4,151,900** | 5,197,917 |
| Other current liabilities | **39,689** | 7,194,787 |
| | **10,367,800** | 19,303,166 |
| **Net current assets** | **17,155,112** | 16,157,128 |
| **Total assets less current liabilities** | **47,388,240** | 46,598,679 |

## 51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

| | 2016<br>*RMB'000* | 2015<br>*RMB'000* |
|---|---|---|
| **Non-current liabilities** | | |
| Provision for rehabilitation | **156,329** | 133,474 |
| Employee benefit liability | **71,146** | 100,137 |
| Other long-term payables | **10,979** | 11,735 |
| Deferred revenue – government grants | **363,978** | 378,003 |
| | **602,432** | 623,349 |
| **Net assets** | **46,785,808** | 45,975,330 |
| **Capital and reserves** | | |
| Share capital | **3,462,729** | 3,462,729 |
| Reserves | **43,323,079** | 42,512,601 |
| **Total equity** | **46,785,808** | 45,975,330 |

## 51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

**Movement in reserves:**

| | Other reserves *RMB'000* *(Note)* | Statutory surplus reserve *RMB'000* | Discretionary surplus reserve *RMB'000* | Safety funds surplus reserve *RMB'000* | Proposed dividends *RMB'000* | Retained profits *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| At 1 January 2015 | 12,870,564 | 4,336,181 | 9,644,881 | 205,954 | 692,546 | 13,816,178 | 41,566,304 |
| Profit and total comprehensive income for the year | – | – | – | – | – | 1,638,843 | 1,638,843 |
| Dividends declared | – | – | – | – | (692,546) | – | (692,546) |
| Dividends proposed | – | – | – | – | 346,273 | (346,273) | – |
| Transfer between categories | – | 136,843 | – | 28,651 | – | (165,494) | – |
| At 31 December 2015 | 12,870,564 | 4,473,024 | 9,644,881 | 234,605 | 346,273 | 14,943,254 | 42,512,601 |
| Profit and total comprehensive income for the year | – | – | – | – | – | 1,156,751 | 1,156,751 |
| Dividends declared | – | – | – | – | (346,273) | – | (346,273) |
| Dividends proposed | – | – | – | – | 519,409 | (519,409) | – |
| Transfer between categories | – | 226,960 | – | 28,550 | – | (255,510) | – |
| At 31 December 2016 | 12,870,564 | 4,699,984 | 9,644,881 | 263,155 | 519,409 | 15,325,086 | 43,323,079 |

*Note:* Other reserves comprise of share premium, capital reserve and other reserves of the Company.

# FINANCIAL SUMMARY

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **CONSOLIDATED RESULTS** | | | | | |
| Revenue | **201,728,284** | 185,228,170 | 198,264,175 | 175,291,753 | 158,005,958 |
| Cost of sales | **(195,164,342)** | (181,453,624) | (192,542,742) | (168,758,963) | (150,570,459) |
| Gross profit | **6,563,942** | 3,774,546 | 5,721,433 | 6,532,790 | 7,435,499 |
| Other income, gains and losses | **(1,211,991)** | 1,203,346 | 1,567,714 | 1,339,041 | 1,462,030 |
| Selling and distribution expenses | **(569,017)** | (515,356) | (547,007) | (545,284) | (453,162) |
| Administrative expenses | **(1,679,586)** | (2,040,539) | (1,876,310) | (1,760,855) | (1,348,824) |
| Finance costs | **(968,920)** | (923,327) | (977,405) | (843,343) | (831,711) |
| Share of results of joint ventures | **(42,259)** | (39,266) | (22,248) | 3,761 | 5,615 |
| Share of results of associates | **(8,557)** | (243,012) | 46,195 | 5,524 | 3,826 |
| Profit before taxation | **2,083,612** | 1,216,392 | 3,912,372 | 4,731,634 | 6,273,273 |
| Taxation | **(1,088,551)** | (477,741) | (1,013,108) | (1,100,305) | (1,025,766) |
| Profit for the year | **995,061** | 738,651 | 2,899,264 | 3,631,329 | 5,247,507 |
| Attributable to: | | | | | |
| Owners of the Company | **840,794** | 689,556 | 2,899,091 | 3,555,692 | 5,169,668 |
| Non-controlling interests | **154,267** | 49,095 | 173 | 75,637 | 77,839 |
| | **995,061** | 738,651 | 2,899,264 | 3,631,329 | 5,247,507 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | ***RMB'000*** | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** | | | | | |
| Total assets | **87,384,090** | 89,751,029 | 95,316,269 | 88,759,398 | 78,088,106 |
| Total liabilities | **(38,561,242)** | (41,921,728) | (48,296,105) | (43,126,976) | (34,225,711) |
| Non-controlling interests | **(2,224,862)** | (1,926,944) | (1,292,214) | (1,116,707) | (1,087,559) |
| Equity attributable to owners of the Company | **46,597,986** | 45,902,357 | 45,727,950 | 44,515,715 | 42,774,836 |

Jiangxi Copper Company Limited