中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00661

2021 ANNUAL REPORT

Mineral Resources

XINJIANG MINE

Wuqia County

5 Sareke Copper Mine

HUBEI MINES

Daye City

1 Tonglvshan Mine

2 Tongshankou Mine

Yangxin County

3 Fengshan Mine

4 Chimashan Mine

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Xiao Shuxin *(Chairman)*
Long Zhong Sheng *(Chief Executive Officer)*
Wan Jun
Chen Zhimiao

Independent Non-executive Directors:

Wang Guoqi
Wang Qihong
Liu Jishun

AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Wang Guoqi *(Chairman)*
Wang Qihong
Liu Jishun

NOMINATION COMMITTEE

Xiao Shuxin *(Chairman)*
Wang Guoqi
Wang Qihong
Liu Jishun

COMPANY SECRETARY

Wong Yat Tung

LEGAL ADVISERS

As to Hong Kong law:
Paul Hastings

As to Bermuda law:
Conyers Dill & Pearman

AUDITOR

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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China Ferry Terminal
33 Canton Road, Kowloon
Hong Kong

PRINCIPAL REGISTRAR

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

HONG KONG BRANCH REGISTRAR

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

STOCK CODE

661

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Xiao Shuxin, aged 45, has been an executive director of the Company since 2021. He graduated from Shanxi University of Finance and Economics* (山西財經學院) in 1997 majoring in investment economics with a bachelor's degree in economics and is an intermediate economist. From September 1997 to October 2006, he served as a salesman of the import and export department 8 and department 6 and the deputy manager of the business division 2 of department 6 of China National Commercial Foreign Trade Corporation* (中國商業對外貿易總公司). From October 2006 to November 2007, he served as a salesman of the trading department of CNMC. He served as, from November 2007 to August 2011, the deputy manager of the import and export department, manager and assistant to the general manager of the commercial transportation centre, from September 2011 to March 2016, the deputy general manager, from March 2016 to February 2021, a member of the Communist Party Committee and the deputy general manager of China Nonferrous International Trading Co., Ltd.* (中色國際貿易有限公司), a wholly-owned subsidiary of CNMC. He served as member of the Standing Committee of the Communist Party Committee and the deputy general manager of the Parent Company since February 2021. Mr. Xiao has more than 24 years of experience in business administration.

Mr. Long Zhong Sheng, aged 58, has been the Chief Executive Officer and an executive director of the Company since 2012. Mr. Long obtained a bachelor's degree in mining processing engineering from Central South University (中南大學) in 1987. He holds a master's degree in mineral processing from Central South University (中南大學) and is a senior mineral processing engineer. He began his career in mine engineering at Fengshan Mine (豐山礦) in the PRC in 1987 and acted as its chief executive from 1998 to 2002. He had also been the chief executive of Tonglvshan Mine (銅綠山礦) in the PRC from 2006 to 2008. Mr. Long was appointed as a director of Daye Metal in October 2017. He is also a director of China Times Development Limited, the immediate controlling shareholder of the Company, and an employee of the Parent Company. Mr. Long has over 30 years of experience in the management field of mining industry.

Mr. Wan Jun, aged 48, has been an executive director of the Company since 2022. He graduated from Metallurgy Faculty of Hunan Changsha Central South University of Technology* (湖南長沙中南工業大學) in 1995 majoring in non-ferrous metallurgy with a bachelor's degree and is a senior engineer. From July 1995 to July 2008, he worked at a smelting plant of the Parent Company, which is the controlling shareholder of the Company. From February 2007 to February 2008, he worked at the smelting plant in Sandak, Pakistan, responsible for technical management. From February 2008 to May 2008, he served as a senior engineer of the technical department in a smelting plant of Daye Metals, and served as the deputy director (deputy division head level) of the Smelting Transformation Headquarter Office from July 2008 to October 2011, the deputy director of the smelting plant from January 2009 to April 2017, and served as a member of the Party Committee from October 2011 to April 2017. From April 2017 to January 2021, he served as a director, general manager and member of the Party committee of Daye Non-ferrous Design and Research Institute Company Limited* (大冶有色設計研究院有限公司), a non-wholly owned subsidiary of the Company, and the chairman of the board from January 2021 to August 2021. He served as a member of the Party Committee of the Parent Company from July 2019 to August 2021, the deputy chief engineer from August 2019 to August 2021, concurrently served as the executive deputy commander of the headquarter of the 400,000 tonne project from January 2021 to August 2021, and served as a member of the Standing Committee of the Party Committee and deputy general manager since August 2021. Mr. Wan has over 27 years of experience in smelting engineering and management.

Mr. Chen Zhimiao, aged 47, has been an executive director of the Company since 2019. Mr. Chen graduated from Hubei College of Finance and Economics* (湖北財經高等專科學校) in 1996 majoring in management of state-owned assets and subsequently obtained a bachelor's degree in accounting from Zhongnan University of Economics and Law* (中南財經政法大學) in 2003 and a master's degree in accounting from Wuhan University* (武漢大學) in 2012. Mr. Chen started his career at Daye Metal in 1996. He served as the head of the finance department of Daye Metal from January 2010 to January 2018; and the head of the finance department of Parent Company from January 2018 to April 2018. He served as the chief accountant and a member of the Standing Committee of the Communist Party Committee of China 15th Metallurgical Construction Group Co., Ltd.* (中國十五冶金建設集團有限公司), a wholly-owned subsidiary of CNMC, from April 2018 to May 2019. In May 2019, Mr. Chen was appointed as the chief accountant of the Parent Company, and as a director and the chief accountant of Daye Metal. Mr. Chen has been engaged in the non-ferrous metals industry for over 20 years and has extensive experience in areas relating to accounting and finance.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guoqi, aged 61, has been an independent non-executive director of the Company since 2006. Mr. Wang is a qualified accountant of The Chinese Institute of Certified Public Accountants. Mr. Wang has extensive experience in accounting and financing areas in different industries. Currently, he is the managing partner of Hua-Ander Certified Public Accountants in the PRC. Mr. Wang obtained a bachelor's degree in financial accounting and a master's degree from Renmin University of China in 1982 and 1985, respectively, and also a doctor's degree in philosophy from The University of London, the United Kingdom.

Mr. Wang Qihong, aged 69, has been an independent non-executive director of the Company since 2006. Mr. Wang worked in the Materials Bureau of the former Ministry of Posts and Telecommunications of the People's Republic of China and China National Postal and Telecommunications Appliances Corp. He was sent to Hong Kong by the Ministry of Posts and Telecommunications in 1991, where he served as a deputy general manager of Postel Development Co. Ltd., the Hong Kong branch of the Ministry of Posts and Telecommunications, and a deputy general manager of Town Khan Limited (Note: Town Khan Limited was one of the founders of SmarTone Telecommunications Holdings Limited (stock code: 00315) in Hong Kong, and it also participated in the listing of China Mobile Limited (stock code: 00941) in Hong Kong). Mr. Wang has participated in a number of projects regarding the modernization development and technology introduction of posts and telecommunications in the PRC since 1976, including the introduction of the first mobile communication equipment in the PRC, playing a significant role in the modernization of communication in the PRC. Mr. Wang successively graduated from Liaoning University and International College of Economics and Management (國際經濟管理學院) (currently merged with the University of International Business and Economics).

Mr. Liu Jishun, aged 64, is a professor and doctoral supervisor in Central South University (the "CSU"). Mr. Liu has been an independent non-executive director of the Company since 2014. Mr. Liu obtained a bachelor's degree in geology, a master's degree in geology and a doctoral degree in earth sciences from Nanjing University in January 1982, July 1986, and July 1989, respectively. He was assigned to the Research Institute No. 230 of China National Nuclear Corporation in Changsha (中國核工業集團公司長沙230研究所) in January 1982. He worked as a researcher from October 1989 to October 1991 in the mobile station for the post-doctoral programme of geological exploration and mining petroleum in Central South University of Technology, which was then merged into the CSU. He joined the CSU as a lecturer of geology in November 1991 and was later promoted to professor. He is devoted to the theoretical research on ore-formation and the practice of ore exploration, and specializes in regional metallogeny, exploration system engineering and practicality assessment for mining. He was involved in the discovery of gold mine in Qingyaigou (青崖溝), Gansu, PRC and the copper and gold mine in Ka Latage (卡拉塔格), Xinjiang, the PRC. Mr. Liu has held numerous positions related to geology in multiple companies. For example, he was the research team leader of the Sanjiang exploration project (三江找礦工程) of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), as well as the advisor to each of Southwest China Nonferrous Geological Exploration Bureau (西南有色地勘局), Yunnan Copper (Group) Co., Ltd. (雲南銅業集團), Hubei Provincial Huangmailing Phosphate Chemical Co., Ltd. (湖北黃麥嶺磷化工集團), Guangdong Yunfu Guangye Pyrite Group Limited (廣東雲浮硫鐵礦集團), the joint research institute of Xinjiang Non-ferrous Metal Group and CSU (新疆有色中南大學聯合研究院), Mengzi Mining and Metallurgy Co., Ltd. (蒙自礦冶) and Guixin Mining Industry Development Co., Ltd. (桂新礦業有限公司). He also acted as the mine exploitation advisor in Lincang, Yunnan, the PRC and as a Guangdong Province corporate technology correspondent (廣東省企業科技特派員). He served as a member of the 13th and 14th term of expert valuation team to the National Natural Science Foundation of China (國家自然科學基金委).

SENIOR MANAGEMENT

Mr. Chen Zhiyou, aged 58, has been the vice president of the Company since 2016. He is responsible for quality management, measurement management, metal balance management and brand building. Mr. Chen has more than 36 years of professional experience in heavy metal smelting. From November 2006 to December 2012, he was the factory director of the rare and precious metal plant (稀貴金屬廠). He has been the deputy general manager and a member of the Communist Party Committee of Daye Metal since May 2011. He has been a member of the Communist Party Committee since December 2012 and an assistant to the general manager since August 2019 in the Parent Company. He graduated from heavy metal smelting studies in Changsha Metallurgical Industry School (長沙冶金工業學校) in 1984. He obtained a postgraduate in economic management at Hubei Provincial Party School (湖北省委黨校) in 2014.

Chairman's Statement

Xiao Shuxin
Chairman of the Board

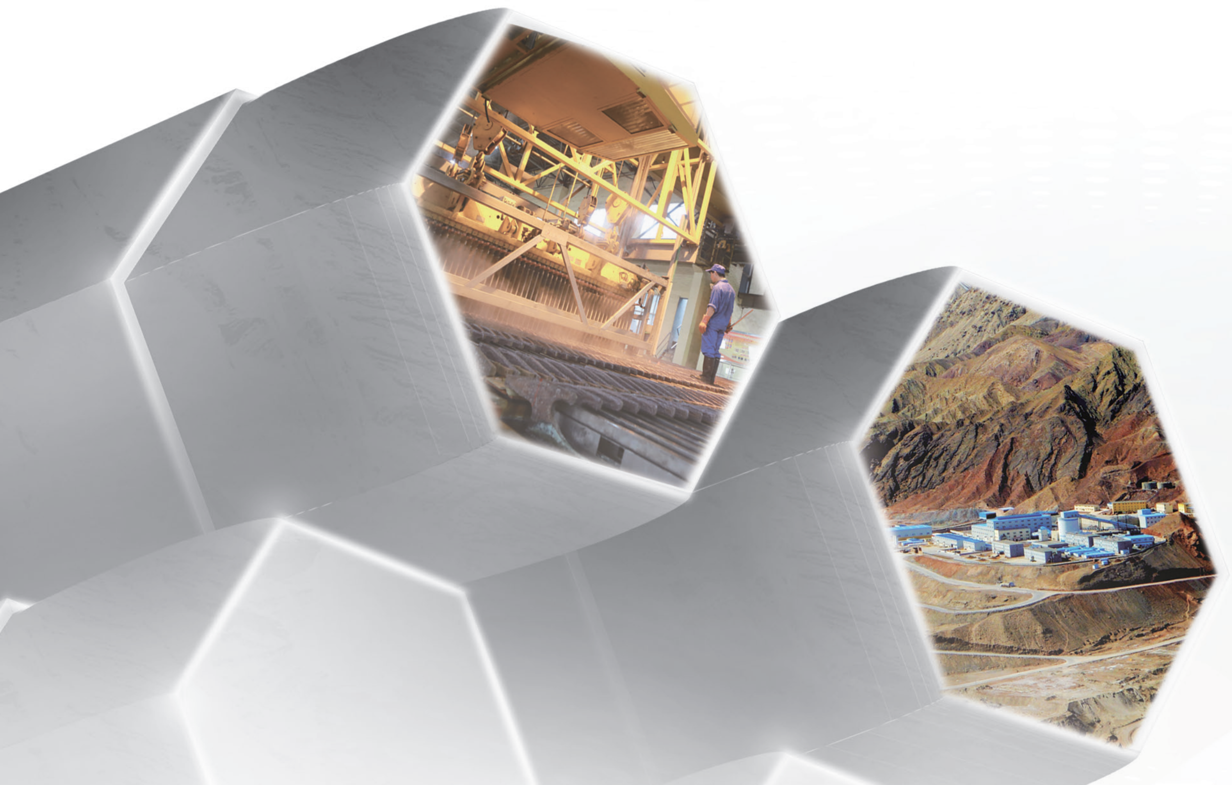
Dear Shareholders,

On behalf of the board of directors of China Daye Non-Ferrous Metals Mining Limited, I am pleased to present to the shareholders of the Company the annual report of the Company and its subsidiaries for the year ended 31 December 2021.

Revenue for the year ended 31 December 2021 amounted to approximately RMB35,677,656,000 (2020: RMB29,387,562,000), representing a year-on-year increase of approximately 21.40%. Profit for the year was approximately RMB336,576,000 (2020: RMB301,636,000), representing a year-on-year increase of approximately 11.58%. The increase was primarily attributable to the increase in selling prices of cathode copper and sulfuric acid.

In 2021, the Group produced a total of approximately 21,900 tonnes of mined copper, a decrease of approximately 12.75% over the same period last year; approximately 480,200 tonnes of copper cathode, a decrease of approximately 5.84% over the same period last year; approximately 664.25 tonnes of precious metals (including approximately 4.46 tonnes of gold, approximately 625.41 tonnes of silver, approximately 14.00 kg of platinum, approximately 165.00 kg of palladium and approximately 34.20 tonnes of tellurium), a decrease of approximately 26.20% over the same period last year; approximately 1,055,900 tonnes of chemical products such as sulphuric acid (including approximately 1,053,000 tonnes of sulphuric acid, approximately 607.74 tonnes of nickel sulphate, approximately 2,149.67 tonnes of copper sulfate and approximately 142.74 tonnes of crude selenium), a decrease of approximately 3.88% over the same period last year; approximately 105,400 tonnes of iron concentrate, a decrease of approximately 42.34% over the same period last year; and approximately 27.44 tonnes of molybdenum concentrate, a decrease of approximately 58.74% over the same period last year.

Chairman's Statement



This year, facing up to the challenges of issues, the Company strengthened management improvement and bravely moved forward, creating a crucial year for the new situation of the 14th Five-Year Plan. All our staff were united in resolutely implementing rectification, overcoming difficulties and forging ahead to stabilise the operation, and withstanding huge pressure and making great efforts to achieve the overall safety goal of zero work-related fatalities for two consecutive years. As a result, all our assessment indicators were fully achieved and a stable start of the 14th Five-Year Plan was realised. In 2021, we mainly did the following work:

(I) WITH FOCUS ON ISSUES FOUND IN THE CENTRAL ENVIRONMENTAL PROTECTION INSPECTIONS, RECTIFICATION WAS RESOLUTELY CONDUCTED

The Company implemented rectification with the strictest requirements and highest standards, and 34 sessions of educational propaganda campaigns were organised and carried out companywide at all levels. The Company organised and conducted 336 special environmental protection studies and seminars, established a rectification leading group in the first place, and set up 10 special classes for on-site work. Fengshan Copper Mine stopped production and discharge, completed the construction of flood interception ditches with high quality, and built wastewater treatment facilities to completely resolve the issue of "direct wastewater discharge". Focusing on the complete elimination of hidden dangers, the Company implemented closed storage in advance, striving to create a model for the control of the tailing ponds along the river. Smelting plants carried out immediate rectification and pushed forward a long-term rectification plan. While completing the rectification of issues such as the control of unorganised emissions from the Ausmelt furnace, the Company accelerated the rain and sewage diversion and the project on the reconstruction of a fully enclosed plant system, and implemented system process upgrades to comprehensively promote the accomplishment of energy conservation, emission reduction and consumption reduction targets. The headquarters of Chimashan Mine efficiently promoted the implementation of rectification, and completed the demolition of a third-party occupied plant within three days. The Company completed the survey, safety status assessment, environmental impact assessment and other work of the closed storage project. Currently, according to the plan approved by the Provincial Department of Natural Resources, ecological restoration is being organised for implementation. Up to now, all the rectification items of the Company have met the requirements according to schedule.

(II) ADHERING TO A MARKET-ORIENTED APPROACH, OVERALL PERFORMANCE AND QUALITY WAS IMPROVED

This year, all units of the Company completed their tasks according to their goals and plans, proactively overcame setbacks such as rising bulk raw material prices, declining smelting and processing fees as well as addressing historical issues, and committed to stabilising various tasks in production and operation. The Company's overall operation was steady. Smelting plants seized the high price of sulfuric acid, and reduced downtime of overhauls and optimised and adjusted the mix of raw materials putting into the furnace by working around-the-clock. The Company achieved an output of 1,031,000 tonnes of sulfuric acid, our main product, representing an excess of 21,000 tonnes over the planned capacity. In 2021, the Group produced approximately 480,200 tonnes of copper cathode, approximately 4.46 tonnes of gold, approximately 625.41 tonnes of silver, approximately 105,400 tonnes of iron concentrate. Basic requirements for production and operation was achieved stably. For the key 400,000 tonne project, construction was carried out with high standard and quality. Currently, the project has entered the peak period of equipment installation, and will be completed and put into operation this year. Going forward, it will ignite a new engine for the Company to achieve leapfrog development on an industrial scale.

(III) BY OPTIMISING SYSTEMS AND MECHANISMS, VITALITY WITHIN THE ORGANISATION CONTINUED TO INCREASE

The mining branch was revoked, the system of establishing mines as independent entities was restored, and the "system of five mine managerial positions" was implemented, further consolidating the main safety and environmental protection responsibilities in terms of organisational framework, leadership alignment, professionals enrichment and functional responsibility system improvement. 19 important positions, including mine manager and assistant to mine manager, were selected publicly to deepen reform of the core personnel system.

(IV) ADHERING TO SCIENTIFIC AND TECHNOLOGICAL INNOVATION, THE STAYING POWER OF DEVELOPMENT CONTINUED TO INCREASE

The Company strengthened innovation guarantees, revised and published the Measures on the Management of Scientific Research《科研管理辦法》and Measures on Rewards for Science and Technology《科技獎勵辦法》of the Company, and improved the scientific and technological innovation system. Relying on research and development platforms such as the national technology centre, the Company, together with well-known domestic universities and industry-leading scientific research units such as University of Science and Technology Beijing, ENFI and Hubei Mobile, jointly set up a technological innovation consortium to carry out in-depth and all-round technological innovation cooperation in the fields of smart mine construction, clean smelting and processing, and smart factory construction surrounding green, low-carbon and digital intelligence to provide technical support for the Company's green and high-quality development. Digital transformation was fully launched. By carrying out the digital mine pilot project of Tonglvshan Mine, the Company constructed a three-dimensional technical model of the mine to realise the application of three-dimensional software in mining design, which has well accomplished the Group's annual tasks and goals, laying a foundation for the Company's digital mine construction and thus playing a leading role in demonstration. The Company intensified efforts on tackling critical technological issues, and 20 patents were obtained. The Company organised and implemented a group of key scientific research projects, and achieved a number of innovative results in the fields such as digital mining and integrated innovation in smelting technology. Among them, two projects have been approved by the parent company, and four achievements have won honours such as provincial and ministerial-level special scientific and technological awards.

(V) BY REINFORCING FINANCIAL MANAGEMENT, THE MANAGEMENT AND CONTROL OF FINANCIAL EXPENSES WAS STRENGTHENED

The Company innovatively leveraged revolving loans and corporate overdraft financing to reduce provisions, and supervised on reducing the use of internal funds. The size of interest-bearing debt on average was RMB978 million lower than the budget. At the same time, fixed-rate loans with a preferential interest rate for 7-8-year projects and new import and export bank preferential loans were locked up for the 400,000-tonne project. The comprehensive financing cost was reduced by 0.32% compared with the budget. In strengthening cost management and control, the Company implemented the profit doubling plan, carried out a monthly rolling calculation of efficiency, coordinated and planned the handling of historical issues in advance, and further consolidated asset quality, thus achieving a record high in operating net profit. Taking the rectification of accounting information quality as the base, and the self-inspection and rectification of financial funds as an opportunity, the Company continued to strengthen financial supervision, conscientiously implemented problem rectification, and consolidated the basic work on accounting information quality and fund security. In active response to the negative impact of the central environmental protection inspector's notification on the Company's financing environment, the Company proactively communicated with banks and balanced the credit structure and scale of each bank to ensure the safety of liquidity.

Consolidating quality management

Taking the copper cathode quality incident at the beginning of the year as a warning, the Company strengthened responsibility and process control, improved the quality service mechanism, continued to improve, and played its due role in system management. The annual pass rate for the output of copper cathodes was 98.79%, and the rate of output of high-quality sulfuric acid products was 96.71%. The pass rates for the output of gold and silver were 98.87% and 96.73% respectively, and the customer satisfaction rate was 97.68%.

Reinforcing internal audit supervision

Throughout the year, the Company carried out 5 internal audit projects, conducted a total of 70 follow-up audits of major engineering projects and settlement reviews and audits of construction projects, and organised and implemented five audits of final accounts of investment projects and one post-evaluation project.

Strengthening risk prevention and control

The Company deepened the early warning and monitoring of major risks, continued to track and monitor 5 major risk events of the Company throughout the year, and took effective measures to control the impact of risks on operations. The Company consolidated its responsibility for credit risk management, and dynamically tracked, analysed and reported the status of its credit risk management. There was no major credit risk event throughout the year.

Currently, the epidemic situation is still severe overseas and has become worse in many places in the PRC. We must stay on guard and do well in preventing COVID-19 from entering and spreading within the country.

During the 14th Five-Year Plan period, the Group will highlight and develop a grasp of industrial optimisation, adjustment and upgrading. Under the new development pattern in which the domestic cycle is the mainstay and the domestic and international cycles reinforce each other, the Group will deepen the supply-side structural reform, focus on the main responsibility and main business to develop the real economy, and continue to promote downsizing and company health and improve quality and efficiency around the corporate strategy of the Group and the implementation of the Company's three major tasks to adjust and optimise the industrial layout and structure. The Group will build a specialised mining company, promote the optimisation and upgrading of the smelting industry chain, improve and solidify the trade business segment, innovate and develop the circular economy and industry, completely withdraw from non-principal business, establish an industrial coordinated development mechanism, improve the efficiency of resource allocation, and improve the level of modernisation of the industrial chain and supply chain to continuously enhance the vitality and profitability of the enterprise. The Group will strive to become a major domestic copper producer and copper raw materials, and make significant progress in business such as circular economy and the comprehensive development of rare and precious metals, initially achieving the goal of building a modern copper enterprise.

Last but not least, I, on behalf of the Board, would like to thank all the Shareholders and the dedicated and diligent staff for their continuous support to the Group, and hereby express our deep gratitude to our customers, suppliers and other business partners for their confidence and trust in the Group.

Chairman of the Board
Xiao Shuxin

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB35,677,656,000 (2020: RMB29,387,562,000), representing an increase of approximately 21.40% from the previous year, attributable to the increase in selling prices of cathode copper and sulfuric acid.

Cost of sales and services rendered

For the year ended 31 December 2021, the cost of sales and services rendered of the Group amounted to approximately RMB34,407,108,000 (2020: RMB28,386,900,000), representing an increase of approximately 21.21% from the previous year, which was attributable to the increase in purchase price of cathode copper.

Gross profit

For the year ended 31 December 2021, gross profit increased by approximately 26.97% to approximately RMB1,270,548,000, compared with approximately RMB1,000,662,000 in the same period of 2020. The increase in gross profit was mainly attributable to the increase in selling prices of sulfuric acid.

Other income

Other income for the year ended 31 December 2021 amounted to approximately RMB66,472,000 (2020: RMB79,358,000), representing a decrease of approximately 16.24% from the previous year, which was primarily attributable to the decrease in receipt of government grants of the year compared with last year.

Other operating expenses

For the year ended 31 December 2021, other operating expenses decreased by approximately 28.07% to approximately RMB17,610,000, compared with approximately RMB24,483,000 in the same period of 2020. The decrease was primarily due to no other additional operating expenses this year.

Other gains and losses

Other gains and losses for the year ended 31 December 2021 amounted to a net loss of approximately RMB38,965,000 (2020: net gain of RMB33,834,000), representing decrease of approximately RMB72,799,000 from net gain in the previous year. The decrease was primarily due to retirement or disposal of certain assets that cannot meet production requirements.

Income tax expenses

Income tax expense for the year ended 31 December 2021 amounted to approximately RMB134,942,000 (2020: RMB29,084,000), representing an increase of approximately 363.97% from the previous year, which was primarily due to the fact that the unrecovered losses in the previous period have been used up, and the current income tax expense for 2021 is accrued.

Earnings per share

For the year ended 31 December 2021, basic earnings per share amounted to RMB1.60 fen (2020: RMB1.71 fen).

MINERAL RESOURCES AND ORE RESERVES

As at 31 December 2021, the Company held a total of five mines located in Hubei and Xinjiang.

The following table sets out the mineral information of each mine as at 31 December 2021.

Abundant and high quality mineral resources

	Hubei Mines								Xinjiang Mine	
	Tonglvshan Mine		Fengshan Mine		Tongshankou Mine		Chimashan Mine		Sareke Copper Mine	
Geographical location	Daye City		Yangxin County		Daye City		Yangxin County		Wuqia county	
Ownership	95.35%		95.35%		95.35%		95.35%		55%	
Approximate total area (square kilometres)	4.76		2.35		1.53		0.44		1.29	
Year for operation commencement	1971		1972		1984		1958		2017	
Metals with economic values available for exploration	Copper, gold, silver and iron		Copper, gold, silver and molybdenum		Copper, gold, silver and molybdenum		Copper, gold, silver and molybdenum		Copper, silver	
Major products	Copper concentrate (containing gold, silver), iron concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing silver)	
Average copper grade	1.17%		0.71%		0.64%		0.85%		1.16%	1.17%
JORC classification	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred
Ore quantity (million tonnes)	12.22	19	7.49	22	34.43	17	0.297	0.256	2.119	1.752
Resources metal quantity										
Copper (tonnes)	155,620	210,000	53,606	150,000	227,002	100,000	1,640	3,040	24,784	20,227
Iron (million tonnes)	2.34	3.9	–	–	–	–	–	–	–	–
Molybdenum (tonnes)	–	–	344	2,700	3,132	3,400	2	35	–	–
Gold (ounce)	194,277	310,000	–	–	–	–	–	–	–	–
Silver (thousand ounce)	1,611	3,400	–	–	–	–	–	–	–	–

Notes: (1) The mineral resources and ore reserves in the above table are estimated in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition), as published by the Australasian Joint Ore Reserves Committee comprising representatives from the Minerals Council of Australia, the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists (the "JORC Code").

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

(3) All resources quantities are estimated based on information as of 31 December 2021 (for Tonglvshan Mine, Fengshan Mine, Tongshankou Mine and Sareke Copper Mine) and 31 December 2016 (for Chimashan Mine). There was no material change in the estimates for Chimashan Mine from 31 December 2016 to 31 December 2021.

Tonglvshan Project Summary

As at 31 December 2021, according to JORC standard, the details of resources and reserves of the Tonglvshan Project are set out below:

Resources and reserves summary (JORC Code)

JORC classification	Copper and Iron			Gold and Silver		
	Quantity (million tonnes)	**Cu** (%)	**Fe** (%)	**Quantity** (million tonnes)	**Au** gram/ tonne	**Ag** gram/ tonne
Resources (CuEq≥0.5%)						
Indicated	12.22	1.27	20	7.52	0.8	6.8
Inferred	19	1.1	21	13	0.8	8.3
Total	**31.22**	**1.17**	**20**	**20.52**	**0.8**	**7.6**
Reserves (CuEq≥0.79%)						
Probable (in mining licence)	6.34	1.26	17.5	6.34	0.5	3.3
Probable (in exploration licence)	2.6	1.1	15.3	2.6	0.5	6.8
Total Probable	**8.94**	**1.20**	**17.0**	**8.94**	**0.5**	**4.1**

Note:

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

Fengshan Project Summary

As at 31 December 2021, according to JORC standard, the details of resources and reserves of the Fengshan Project are set out below:

Resources and reserves summary (JORC Code)

JORC classification				Metal Quantity	
	Quantity (million tonnes)	**Cu** (%)	**Mo** (%)	**Cu** (tonne)	**Mo** (tonne)
Resources (CuEq≥0.3%)					
Indicated	7.49	0.72	0.004	53,606	344
Inferred	22	0.7	0.012	150,000	2,700
Total	**29.49**	**0.71**	**0.01**	**203,606**	**3,044**
Reserves (CuEq≥0.43%)					
Probable (in mining license)	3.99	0.70	0.003		
Total Probable	**3.99**	**0.70**	**0.003**		

Note:

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

Tongshankou Project Summary

As at 31 December 2021, according to JORC standard, the details of resources and reserves of the Tongshankou Project are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity (million tonnes)	Cu (%)	Mo (%)
Resources				
In licence	Indicated	2.0	0.52	0.01
Open cut area	Inferred	0.1	0.3	0.014
CuEq≥0.13%	**Total**	**2.1**	**0.52**	**0.01**
In licence	Indicated	32.23	0.67	0.009
Underground area	Inferred	12	0.6	0.014
CuEq≥0.4%	**Total**	**44**	**0.67**	**0.01**
Out of licence	Indicated	0.2	0.9	0.009
Underground area	Inferred	5.0	0.6	0.035
CuEq≥0.4%	**Total**	**5.2**	**0.6**	**0.034**
Total	Indicated	34.43	0.66	0.009
Open cut & underground area	Inferred	17	0.6	0.02
In and out of licence	**Total**	**51.3**	**0.64**	**0.013**
Reserves				
Open cut area (CuEq≥0.17%)	Probable	1.5	0.38	0.011
Underground area (CuEq≥0.50%)	Probable	13.75	0.71	0.006
	Total	**15.25**	**0.67**	**0.006**

Note:

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

Management Discussion and Analysis

Chimashan Project Summary

As at 31 December 2021, according to JORC standard, the details of resources and reserves of the Chimashan Project are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity (million tonnes)	Cu (%)	Mo (%)
Resources				
In licence	Indicated	0.073	0.71	0
	Inferred	0.003	0.64	0.004
CuEq>0.3%	**Total**	**0.076**	**0.70**	**0**
Out of licence	Indicated	0.224	0.50	0.001
	Inferred	0.253	1.19	0.014
CuEq>0.3%	**Total**	**0.477**	**0.87**	**0.008**
Total	Indicated	0.297	0.55	0.001
In and out of licence	Inferred	0.256	1.18	0.014
	Total	**0.553**	**0.85**	**0.007**
Reserves				
	Probable	0.016	0.73	0
	Probable total	**0.016**	**0.73**	**0**

Note:

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

(2) There was no material change in these estimates during the period from 31 December 2016 to 31 December 2021.

Sareke Project Summary

As at 31 December 2021, according to JORC standard, the details of resources and reserves of the Sareke Project are set out below:

Mineral Resources summary (JORC Code)

	JORC Classification	Resources tonnage (million tonnes)	Copper grade (%)	Copper metal (tonnes)
Resources	Indicated	2,119	1.03	24,784
	Inferred	1,752	0.82	20,227
	Total	**3,857**	**1.17**	**45,010**

Minerals reserves summary (JORC Code)

	Elevation (m)	Probable		Metal Quantity
		Tonnage (1,000 tonnes)	Copper (%)	(tonne)
	>=2,900	95	1.05	998
	2,790~2,900	184	1.18	2,168
Reserves	2,730~2,790	250	0.93	2,457
	2,670~2,730	1,378	1.25	19,725
	<=2,670	567	1.06	5,996
	Total	**2,674**	**1.17**	**31,338**

Note:

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

Notes for the above tables:

(1) In the above tables, Cu, Fe, TFe, Mo, CuEq, Au and Ag mean copper, iron, total iron, molybdenum, copper equivalent, gold and silver, respectively, and t, Kt, Mt, kg, g/t, Oz, and k Oz mean tonne, thousand tonne, million tonne, kilogram, gram per tonne, troy ounce and thousand troy ounce, respectively. The terms "Indicated", "Inferred" and "Probable" have the meanings ascribed to them under the JORC Code.

(2) Mineral resources and ore reserves described as "out of licence" refers to the discovery of mineral resources or ore reserves outside of the permitted level of mining depth prescribed in the mining licence of the relevant mine. Mineral resources and ore reserves described as "in licence" or "in mining licence" refer to the discovery of mineral resources or ore reserves within the permitted level of mining depth prescribed in the mining licence of the relevant mine.

(3) Mineral resources were defined within a mineralized envelop above 0.13% copper equivalent, and reported at a cut-off grade of 0.43% copper equivalent for underground operations and 0.17% copper equivalent for open pit operations.

(4) Ore reserves are estimated using minimum cut-off grades of 0.79%, 0.43%, 0.17%, 0.50%, and 0.60% copper equivalent for the Tonglvshan Mine, the Fengshan Mine, the open pit mining at the Tongshankou Mine, the underground mining at the Tongshankou Mine and the Chimashan Mine, respectively.

(5) Copper equivalent was calculated for the mines using forecast processing plant recoveries and long-term forecast prices according to the following table:

	Tonglvshan	Fengshan	Tongshankou	Chimashan
Copper (RMB/t)	36,011	35,589	35,950	48,935
Iron (RMB/t)	650			
Gold (RMB/g)	267			235
Silver (RMB/g)	2.38			6.00
Molybdenum (RMB/kg)		90.1		207.00

(6) Copper and iron mineral resources at the Tonglvshan Mine are inclusive of the gold and silver mineral resources at the Tonglvshan Mine and gold and silver mineral resources at the Tonglvshan Mine are inclusive of the copper and iron mineral resources at the Tonglvshan Mine. Such mineral resources should not be added together.

(7) A minimum mining width of 1 metres was used for estimating the underground ore reserves at Tonglvshan Mine, Fengshan Mine, Tongshankou Mine and Chimashan Mine.

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

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

Description of activities

The following table sets out the various exploration, development and mining production activities of the Group conducted at each of our mines during the year ended 31 December 2021:

Mines	Exploration activities	Development activities	Mining production activities
Tonglvshan Mine	Horizontal drilling reached 3,160.2m/34 holes, and pit drilling reached 678m/5,288m^3.	The total completed drilling volume of middle portion, sublevel for the development of the -545m to -605m middle portion of Tonglvshan Mine was 15,546m^3.	Copper: 3,931 tonnes Gold: 205 kg Silver: 1,614 kg Iron concentrate: 105,359 tonnes
Fengshan Mine	1. Horizontal drilling reached 4,511m/67 holes, and pit drilling reached 1,888.8m/13,459.3m^3. 2. Explorational drilling of the western copper mine reached 3,751m/9 holes.	The total completed drilling volume of middle portion for the development of the -440m middle portion of Fengshan Copper Mine was 9,764m^3. The completed drilling volume for the development of the -440m to -550m mining ramps of the south edge and middle portion of Fengshan Copper Mine was 10,099m^3.	Copper: 4,203 tonnes Gold: 117 kg Silver: 3,729 kg Molybdenum: 27 tonnes
Tongshankou Mine	1. Horizontal drilling reached 2,553.5m/49 holes. 2. In-depth explorational drilling reached 4,013.21m/15 holes.	Tongshankou Mine has been gotten through in 2020. No more drilling is required in 2021	Copper: 6,731 tonnes Silver: 2,954 kg
Chimashan Mine	No significant progress was made in 2021.		
Sareke Copper Mine	Production drilling reached 5,800m, peripheral drilling reached 1,079m.	For the Sareke Copper Mine, the total completed drilling volume of the 2,670m middle portion, the 2,730m middle portion, the 2,790m middle portion,was 7,899.50m/95,257.20m^3.	Copper: 7,002 tonnes Silver: 7,652 kg

Expenditures incurred

During 2021, we incurred approximately RMB1,492,037,000 (2020: RMB1,267,501,000) on exploration, development and mining production activities, details of which are set out below:

Unit: RMB'000

Mines	Operating expenses	Capital expenditure	2021 Total	2020 Total
Tonglvshan Mine	518,249	67,991	586,239	517,416
Fengshan Mine	196,006	41,283	237,289	206,343
Tongshankou Mine	340,819	11,830	352,649	343,983
Chimashan Mine	8,455	592	9,047	8,789
Sareke Copper Mine	303,496	3,316	306,812	190,970
Total	1,367,025	125,012	1,492,037	1,267,501

Exploration, Development and Mining Expenditures

Unit: RMB'000

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine
Exploration activities					
Drilling and analysis	–	5,262	2,972	–	–
Others	–	–	–	–	–
Sub-total	–	5,262	2,972	–	–
Development activities (including mine construction)					
Purchases of assets and equipment	965	630	3,265	–	–
Civil work for construction of tunnels and roads	67,026	35,391	5,593	592	3,316
Staff cost	–	–	–	–	–
Others	–	–	–	–	–
Sub-total	67,991	36,021	8,858	592	3,316
Mining activities (including ore processing)					
Auxiliary materials	49,147	16,259	37,779	–	41,423
Power supply	35,691	13,035	34,996	–	8,243
Staff cost	129,302	78,899	62,942	3,658	20,975
Depreciation	118,100	29,829	116,308	–	85,169
Taxes and resource compensation	16,821	14,851	22,730	492	18,991
Sub-contracting service	22,422	6,319	13,556	–	18,036
Others (administrative fees, selling expenses, non-operating expenditures)	146,766	36,814	52,508	4,305	110,659
Sub-total	518,249	196,006	340,819	8,455	303,496
Total	586,240	237,289	352,649	9,047	306,812

Infrastructure projects, subcontracting arrangements and purchases of equipment

During 2021, the new contracts entered into and commitments undertaken by the Group in relation to exploration, development and mining production activities were as follows:

Unit: RMB'000

Mine	Infrastructure projects	Subcontracting arrangements	Purchase of equipment	Total
Tonglvshan Mine	7,500	–	2,662	10,162
Fengshan Mine	9,050	–	3,579	12,629
Tongshankou Mine	–	–	3,939	3,939
Chimashan Mine	–	–	–	–
Sareke Copper Mine	480	–	2,556	3,036
Total	17,030	-	12,736	29,766

OPERATING OBJECTIVES AND STRATEGIES IN 2022

The production volume targets of the Group for 2022 include producing 21,400 tonnes of mined coppers, 610,000 tonnes of copper cathode, 6.76 tonnes of gold, 750 tonnes of silver, 1,570,000 tonnes of sulphuric acid, 240,000 tonnes of iron concentrate, 17 kg of platinum, 240 kg of palladium, 380 tonnes of nickel sulfate (containing metal), 227 tonnes of crude selenium, 49 tonnes of tellurium, 2,700 tonnes of copper sulfate and 0 tonnes of molybdenum concentrate.

The Group would satisfactorily fulfill all objectives including the following:

(I) Promote the transformation of development approaches with the green development concept focusing on the rectification of ecological and environmental protection issues

The Company will resolutely hold high the banner of green development, regard environmental supervision and rectification as an important strategic opportunity to promote the Company's construction of an ecological civilisation, and comprehensively establish a green, low-carbon and circular industrial development system, truly making green the background colour of the Company's development.

The Company will complete the rectification of issues found in environmental inspections with high standard and quality, and will ensure that the rectification is completed with high quality according to the plan approved by the central government with the strictest requirements, highest standards, hardest measures and most effective results. The department responsible for the supervision and administration of safety and environmental protection will be required to establish a mechanism for rectification, supervision and acceptance check, regularly supervise the progress, and test the results item by item, to ensure that the rate of completion of rectification by the end of 2022 goes beyond 85%.

The Company will promote coordinated green and low-carbon development. Adhering to the path of green and low-carbon development, the Company will incorporate green and low-carbon developments into the Company's "14th Five-Year Plan" development strategy and planning. Centering on the national strategy of "carbon peaking and carbon neutrality", the Company will plan the "double carbon" action with high standard, taking the green and low-carbon development of energy as the key, and the first batch of pilot enterprises for carbon emission trading in Hubei Province as an opportunity. The Company will vigorously eliminate backward production capacity, continue to improve the utilisation efficiency of energy and resources, and take multiple measures to promote the reduction of total emissions, the reduction of emissions at the source and the reduction of emissions in the structure in order to build a new pattern of high-quality green development.

(II) Promote the transformation of effectiveness and efficiency through scientific and technological innovation focusing on the concept of making progress while ensuring stability

Promote the construction of key projects and advance the production and operational goals

Hongsheng Company will be required to have a deep understanding of its own major responsibilities. With the goal of "ensuring that the smelting furnace is ignited on 1 May and is fueled on 12 June", it will make preparations for trial production in advance to ensure that the production targets are achieved within the year and that there is no loss throughout the year, making a good advance for the transformation of the smelter system.

Tonglvshan Mine, Tongshankou Mine and Sareke Copper Mine will be required to break down the workload according to the mining plan, and drive monthly production on capturing daily production to ensure that production proceeds according to the annual plan. Fengshan Copper Mine will be required to speed up the process of key projects such as projects on the ecological management of open pits and the prevention and control of underground water, striving to resume production by the end of September and increase the production of mined copper by 1,200 tonnes to create impacts of RMB55 million. The mine unit will ensure that the annual output of mined copper achieves the work target of 21,400 tonnes, aiming to reach the goal of 22,600 tonnes, and that the output of iron concentrates is not be less than 240,000 tonnes. The smelting plants will be required to ensure that the annual output of mined blister copper is not less than 280,000 tonnes, and the output of copper cathodes is not less than 480,000 tonnes. At the same time, the Company will grasp and promote technological breakthroughs in process optimisation as well as upgrade and transformation of rare and precious products, striving to create impacts of more than RMB30 million. On the other hand, the Company will be required to fully implement the duties and responsibilities of business supervision and guidance, and help all units implement measures to improve quality and efficiency, increase profits and make up for deficiencies, to ensure that the Company achieves its annual profit target.

Highlight scientific and technological innovation and implement an open competition mechanism

In terms of mines, Fengshan Copper Mine will be required to take the pilot digital mine as an opportunity to start tackling critical problems on key technologies for the green, safe and efficient development of 5G smart mine resources. By tackling key problems, the rate of utilisation of the tailing ponds can reach 100% and the production capacity of a panel will not be less than 600t/d, aiming at reducing the total cost per ton of copper by more than 20% and increasing the annual economic benefits by approximately RMB38 million. Tonglvshan Mine will be required to carry out in-depth research on key deep paste filling technologies to realise the automation and intelligent control of paste filling, thereby reducing the production cost of mine filling units by 5%-10% and increasing the resource recovery rate by 1.5%, with the aim of increasing the annual economic benefits by RMB9.2 million or more. Tongshankou Mine will be required to concentrate efforts on the research of the copper sorting recovery rate. Under the condition that the grade of the mined copper selected is about 0.6%, the copper content of copper concentrate will be ≥20%, with the aim of increasing the copper sorting recovery rate by 3-4 percentage points to over 90%, and the annual economic benefits will reach more than RMB6.5 million.

In terms of smelting, the Company will be required to vigorously carry out critical technological research on the production of oxygen-enriched high-grade matte in the Ausmelt furnace to reduce the total amount of flue gas and the amount of matte, and improve thermal efficiency so that the coal consumption of the Ausmelt furnace system can be reduced by more than 10%, and will strive to increase the annual economic benefits by more than RMB13 million. By tackling critical issues in key technologies for the digital conversion of oxygen-enriched blown high-grade matte, the Company will be required to achieve the balance of flue gas in the converter and the acid-making system and the standardisation of blowing operations so that the process will be operated in a safe, efficient and stable manner, flue gas escape will be reduced, and the clean production and environmental protection targets will be reached, and will strive to increase the annual economic benefits to more than RMB28 million. Through focused efforts on key technologies for the overall optimisation of the III-system sulfuric acid processes, the Company will be required to achieve the goal of opening only one sulfuric acid system to treat the flue gas of the Ausmelt furnace and converter, thereby increasing the SO2 conversion rate of the sulfuric acid system to over 99.9%, and will strive to increase the annual economic benefits by more than RMB49 million.

Stand firm to giving priority to efficiency and vigorously promote the construction of informatisation

The Company will continue to promote the construction of Hongsheng's smart factory, build an informatised framework and foundation with the industrial Internet platform to realise the coordination of processes and the coordination among production, supply and marketing as well as professional and job collaboration, allowing closer and more efficient collaboration among humans and between humans and machines, and creating a model for the Company's intelligent construction. It is necessary to strengthen the informatisation construction of the Company's headquarters, and further expand the coverage of the ERP business system to realise the invoicing, sales and inventory business continuity for all supplies and materials of the Company. The Company will be required to strengthen the management of information and data assets, continuously improve the informatisation construction management system, unify data sources, and establish data standards, thus laying the foundation for the ultimate realisation of data interoperability among information systems and the development of big data applications and data mining analysis.

(III) Promote the transformation of management concepts with full-chain through-type management and control focusing on the compliance with laws and regulations

The Company will improve the safety and environmental protection management system. The Company will be required to improve and clarify the accountability system, perfect the list of responsibilities and tasks, and deepen the mechanisms of "fighting against the three violations", whistleblowers, etc. It is necessary to improve the institutional system, and establish management systems, operating procedures and work standards that are based on laws and regulations covering the entire safety and environmental protection process to improve the level of scientific, standardised and normalised management for safety and environmental protection.

The Company will strengthen the core position of financial management, and build a digital financial management and control system that penetrates operations, provides real-time feedback, integrates business and finance, and keeps risks in control. The Company will promote business and financial integration. Aiming at the integration of business and finance, the Company will promote the construction of an ERP information system running through material procurement, business marketing, human resources, asset management, financial accounting and capital information to improve the level of information management and control. The Company will promote the construction of financial monitoring and control systems aiming at penetration management, build penetrating data analysis models for mines and smelting, improve the monitoring system for key indicators of operating budgets, and promote the penetration of various professional management through penetrating financial data analysis, to drive the implementation of the Company's management and control requirements. The Company will improve quality and efficiency with innovative breakthroughs, compile special work plans with respect to technological improvement, equipment transformation, and upgrading especially for mining and smelting units, and benchmarking advanced levels with focus on key technical and economic indicators, quota consumption and other management elements to achieve breakthroughs. The Company will optimise the allocation of resources. The Company will make sure that funds are secured for the 400,000 tonne project, reduce the cost of loans, and control the use of inventory positions and accounts receivable to ensure profitability. The Company will squeeze and control the use of existing funds, strengthen the management of internal loans, make a comprehensive check on the use of inefficient and negative-yielding funds, analyse the operation of funds, manage the debt ratio on a company and strategy basis, and adjust the capital management and control model, to ensure that the Company's asset-liability ratio is controlled within the level as issued by the Group.

The Company will strengthen compliance operation and management. It is necessary to resolutely prevent and control major business risks, strengthen the assessment, monitoring and warning of risks, improve the long-term risk management mechanism to effectively improve the awareness and work level of risk prevention and control. The Company will be required to strengthen internal audit supervision, deepen the content of economic responsibility auditing, and move forward the supervisory threshold, to achieve full audit coverage of the economic responsibility of the first person responsible. It is necessary to strengthen the follow-up auditing of major and key projects, and continue to carry out the whole-process follow-up auditing on the rectification of the 400,000 tonne project for the environmental inspection.

The Company will implement classified assessment and precise penetrating assessment, strengthen quality management, scientific and technological innovation and positive incentives, and actively guide all units to continuously improve their core indicators for key technologies to cultivate core competitiveness. For key projects such as dealing with urgent, difficult, dangerous and daunting tasks, scientific and technological innovations, reform deepening efforts and quality and efficiency improvements, special awards will be set up to fully mobilise the enthusiasm and creativity of cadres and employees.

EQUITY

The Company's issued and fully paid share capital as at 31 December 2021 amounted to approximately RMB727,893,000 divided into 17,895,579,706 ordinary shares of HK$0.05 each.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We place cash and cash equivalents (which are mostly held in RMB) in short term deposits with authorized institutions in Hong Kong and the PRC.

During the year ended 31 December 2021, the Group's receipts and payments were mainly denominated in RMB.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had pledged deposits, and cash and bank balances of approximately RMB814,997,000 (2020: RMB420,784,000), the majority of which were denominated in Renminbi. The Group's current ratio was approximately 1.09 (2020: 1.01), based on current assets of approximately RMB7,681,773,000 (2020: RMB6,417,099,000) divided by current liabilities of approximately RMB7,038,537,000 (2020: RMB6,333,015,000). The Group's gearing ratio as at 31 December 2021 was approximately 286.97% (2020: 288.83%), based on net debts (which included bank and other borrowings, lease liabilities and promissory note less pledged deposits, and cash and bank balances) of approximately RMB8,570,311,000 (2020: RMB7,770,961,000) divided by equity attributable to owners of the Company of approximately RMB2,986,511,000 (2020: RMB2,690,540,000). The decrease in gearing ratio was attributable to the increase in net debts and the effect of the profit for the year.

As at 31 December 2021, the Group had sufficient funding to pay off all its outstanding liabilities and meet its working capital requirement.

BORROWINGS

As at 31 December 2021, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB9,247,453,000 (2020: RMB8,049,175,000).

As at 31 December 2021, the Group had bank and other borrowings of approximately RMB2,999,443,000 (2020: RMB3,713,591,000) and approximately RMB5,152,158,000 (2020: RMB3,282,081,000) which was due within one year and after one year respectively. The majority of the Group's bank and other borrowings were denominated in Renminbi. The majority of the Group's bank and other borrowings were at fixed interest rate.

FOREIGN EXCHANGE RISK

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

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

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

Management Discussion and Analysis

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

PERFORMANCE AND PROSPECTS OF KEY INVESTMENT

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

Save as disclosed above, the Group did not make any other significant investment during the year ended 31 December 2021.

CHARGES ON ASSETS

As at 31 December 2021, other deposits which amounted to approximately RMB299,096,000 (2020: RMB167,937,000) were held in futures exchanges and certain financial institutions as security for the commodities derivative and gold forward contracts, and other financing were secured by bank deposits and balances amounting to approximately RMB195,000 (2020: RMB46,049,000).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no contingent liabilities.

The directors of the Company have the pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

BUSINESS REVIEW

A review of the business of the Group during the year as well as a discussion on the Group's future business development are contained in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 9 and pages 10 to 24 respectively of this annual report.

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

Financial key performance indicators

The key performance indicators of the Group are as follows:

	2021	2020
Gross Profit Margin	**3.56%**	3.41%
Debt to Assets Ratio	**75.74%**	76.64%
Current Ratio	**1.09**	1.01
Assets Turnover Ratio	**2.23**	1.86

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

Environmental policies and performance

The Group has studied seriously to fully implement the ideology of ecological civilization by General Secretary Xi Jinping by focusing on the target tasks, strengthening the problem-oriented principal and keeping promoting the operation of clean production and environmental protection management system in order to complete the targets of each task with the Company's environmental policy of "compliant with laws and regulations, green development, energy conservation and emission reduction, and clean production".

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

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

2. Achievement of management objectives: The operation rate of the environmental protection facilities achieved 100%. Recycling rate of waste water discharged from production activities of the mine was 82%. Recycling rate of industrial waste water from smelting and production process reached 98.35%. Each environmental criterion has met the objective requirements throughout the year.

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

In 2021, the Company invested approximately RMB1,600 million for basic environmental protection management such as environmental protection project construction, environmental protection facility operation, and environmental protection safeguard monitoring. Focus has been put to the reconstruction of the deep desulfurization of sulfuric acid exhaust project and the electronic defogging of environmental smoke and gas collection system project. The indicators of the exhaust of sulfur dioxide and particles have been significantly improved.

Compliance with Laws and Regulations

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

Energy

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

The laws and regulations on energy clearly stipulate the requirements and standards about the use of energy and provide a basis for the Group to use energy in compliance with laws and regulations. With reference to the requirements of relevant national and industry standards, the Group has implemented full process control of energy consumption through technology upgrade and management improvement with a focus on promoting the energy conservation and consumption deduction of the Group, enhancing the utilization rate of energy and optimizing and innovating energy management methods, which effectively enhanced the work of energy conservation and consumption deduction of the Group. There was no non-compliance with laws and regulations relating to energy by the Group in 2021.

Environmental protection

The Group has launched operating activities, standardized daily control over environmental management of construction projects, hazardous wastes and radioactive material and monitored pollutant discharges in real time in strict compliance with requirements of environmental laws and regulations, such as the Environmental Protection Law of the PRC《中華人民共和國環境保護法》, the PRC Law on the Prevention and Control of Air Pollution《中華人民共和國大氣污染防治法》, the PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste《中華人民共和國固體廢物污染環境防治法》, The PRC Law on the Environmental Impact Assessment《中華人民共和國環境影響評價法》and the Emission Standards for Industrial Pollutants of Copper, Nickel and Cobalt《銅、鎳、鈷工業污染物排放標準》.

On 6 September 2021, the sixth ecological and environmental protection inspection group of the second round of the fourth batch of the Ministry of Ecology and Environment of the Central Government of the People's Republic of China (the "Inspection Group") found outstanding issues of ecological and environmental protection when inspecting the Company's business, and reported as a typical case.

The rectification of issues raised by the Central Environmental Protection Inspectorate is set out as below:

1. *The tailings pond issue at Fengshan Copper Mine*

Firstly, we stopped production immediately for rectification, and stopped discharging tailings and wastewater from processing plants to the tailings pond. Secondly, we implemented the requirements of the 2012 environmental impact assessment of the project on the mining of the middle portion of Fengshan Copper Mine and the Work Plan of the Hubei Province on the Prevention and Control of Pollution in Tailings Ponds (2019-2020) (《湖北省尾礦庫污染防治工作方案(2019-2020 年)》), and hired CINF Engineering to redesign the interception ditch of the tailings pond, complete the construction of a new 3,150-meter interception ditch and dredge the original 700-meter interception ditch. The newly-built 3,150-meter interception ditch was totally linked up on 27 November 2021. Thirdly, we improved the leachate collection facilities. After leachate has been collected, it will be treated by the wastewater treatment system and will then discharged in a manner that satisfies applicable standards. We built a set of gushing water coagulation sedimentation pretreatment system, through which gushing water enters the wastewater treatment system upon pretreatment instead of entering the tailings pond, thus reducing the drainage volume of the tailings pond and completely solving the problem of mixed discharging pointed out by the Environmental Protection Inspectorate. We perfected the existing wastewater treatment system, and added a set of aeration + integrated coagulation and sedimentation advanced treatment system to achieve stable wastewater treatment that satisfies applicable standards. The installation of the advanced treatment system was completed on 25 December 2021. Fourthly, we strengthened communication and contact with local emergency management departments and environmental protection departments to formulate pollution prevention and control plans for the tailings pond of Fengshan Copper Mine. We took the initiative to kick start the tailings pond closure project in advance and are currently working on the design of the closure. Fifthly, in accordance with the construction standards for green and digital mines, we comprehensively upgraded and transformed the mining and dressing technique and equipment at Fengshan Copper Mine, with a view to building Fengshan Copper Mine into a modern mine in one to two years. Currently, the Company has joined hands with ENFI Design Institute, Beijing University of Science and Technology, and Hubei Mobile on the establishment of a 5G digital mine laboratory to jointly study and promote the construction of digital mines.

2. *The Chimashan issue*

Firstly, we completed the demolition of illegal facilities and material warehouses of other enterprises in the mining area in 8-10 September 2021. In order to prevent the occurrence of similar incidents, we simultaneously completed the demolition of all deactivated plants in the mining area. Secondly, we conducted sampling and analysis of the tailings discharged and processed by other enterprises that are piled on the dry beach of the tailings pond area in Chimashan. The analysis results have met the requirements of general industrial solid waste standards, which will be included in the tailings pond closure project for treatment upon the report to the local environmental protection department on 30 November 2021. The tailings pond closing project shall be disposed of together. Thirdly, we cleaned up the interception ditch of the tailings pond to prevent tailings from entering the interception ditch and downstream reservoirs. We tracked and monitored the water quality of the Gongnong Reservoir on a monthly basis until the tailings pond is closed. Fourthly, we installed an online tailings pond monitoring system to monitor the operational safety of tailings ponds in real time. Fifthly, we started the tailings pond closure procedure, and entrusted CINF Engineering to carry out the design and other work of the tailings pond closure plan. Construction will be commenced in February 2022, and the closure project will be completed by the end of October 2022. Sixthly, in accordance with the plan approved by the Provincial Department of Natural Resources in the early stage, we implemented the ecological restoration of the mining area and comprehensively controlled the area of ground subsidence to improve the regional ecological environment.

3. The smelter issue

Adhering to the principle of combining immediate reform with long-term establishment, embodying self-revolutionary determination and confidence, and aiming at "a green modern clean plant", we carried out research and discussion on the smelter transformation plan, and determined the two main lines of environmental inspectorate rectification and green high-quality development: Firstly, we implemented the rectification of several issues raised by the Central Ecological and Environmental Protection Inspectorate on the smelter plant with high standards and strict requirements. Before 31 December 2021, we completed the rectification of issues such as hours of SO2 detected online exceeding the standard, poor facilities of the Datang sewage treatment station, and incomplete diversion of rain and sewage in the polluted acid workshop as well as rectification work such as optimizing and comprehensively managing anode smoke and mist exhaust facilities in the waste copper workshop, and controlling unorganized emissions from the Ausmelt furnace. At the same time, we further accelerated and advanced the project on the diversion of rainwater and sewage and the reconstruction of a fully enclosed system at the smelter plant. Currently, the feasibility report of the rainwater and sewage diversion project has been prepared, and the main workshop of the converter has basically completed the temporary sealing. Secondly, under the premise of ensuring production safety and with the ultimate goal of "improving the matte grade of the Ausmelt furnace, reducing the operation of one converter, and shutting down a set of acid-making systems", we carried out technological process transformation and production organization optimization, implemented intensive, efficient, green and environmentally-friendly system process upgrade and transformation that reduce consumption and emission, fully realizing the goal of saving energy and reducing emission and consumption. We also carried out relevant testing work.

Save as disclosed above, there was no material non-compliance with environmental laws and regulations in 2021.

Safety Production

The Group has taken its corporate responsibilities in respect of production safety and has established Occupational Health and Safety Management System ISO45001 in accordance with requirements of laws, including the PRC Production Safety Law《中華人民共和國安全生產法》, and the Prevention and Control of Occupational Diseases Law of the PRC《中華人民共和國職業病防治法》. There was no material safety production accident of the Group in 2021.

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

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

THE PRINCIPAL RISKS AND UNCERTAINTIES

(I) Strategic risks

1. *Macroeconomic risks*

Risk description: In 2022, China's development will be constrained by a number of domestic and foreign factors, and the economy may experience further downward pressure. Changes in domestic and foreign economic macro environment affect the development of enterprises directly or indirectly.

Responses: The first is to further optimize the industrial distribution of the Company with promoting green transformation and innovation-driven transformation and accelerating the building of a modern copper mining enterprise. The second is to deal with the risks proactively and take a number of measures to improve the ability of prudent operating in terms of production, supply and marketing such as the guarantee of raw material supply and the opening up of trading business. The third is to consolidate its existing traditional businesses and seize the opportunities in key markets, resulting in promoting the coordinated development of structured business.

2. *International operation risks – foreign exchange risk*

Risk description: The global economy will continue to recover in 2022 but the growth momentum will slow down. The economic growth rate of developed countries in Europe and the United States is relatively strong. In addition, the Federal Reserve will end its bond purchase and begin to consider raising interest rates, which will favor the US dollar index and put pressure on the RMB exchange rate to depreciate, affecting the Company's foreign exchange payments for imports and foreign currency financing costs.

Responses: Improving the qualification approval and the implementation rules of currency derivatives, continuously running the working mechanism of regular meetings of the foreign exchange risk control team, regularly balancing the demand for foreign exchange funds, collecting foreign exchange market information, analyzing and researching exchange rate trends and formulating strategies for foreign exchange payments and foreign currency financing; utilizing early foreign exchange purchase and deferred foreign exchange payment to cope with the trend of foreign exchange depreciation; adhering to the principle of exchange rate risk neutralization, the foreign currency financing shall be considered according to the corresponding value preservation cost, and the foreign currency financing and RMB financing shall be carried out on merit after comparing their costs; the exposure risk of the import balance can be borne by the good linkage of supply, production and sales, the balanced organization of procurement and production, the control of total volume and the continuous rollover risk, and it is possible to increase the export settlement of foreign exchange for hedging to reduce open position by studying and researching market conditions.

3. Technological innovation risks

Risk description: There is still a gap between the Company and the industry benchmark enterprises regarding technology in the main professional fields of non-ferrous metals mining, ore processing, metallurgy and chemical industry, which is mainly reflected in the low level of intelligence in mining and smelting production system.

Responses: Centering on the key core technological issues and technical bottlenecks of our production and operation, the Company will carry out an open competition mechanism allowing full integration of scientific and technological innovation with production to foster a change in quality, efficiency, and power. Firstly, for mines, the Company will fully leverage cloud computing, Internet of Things, big data, 5G and other technologies to improve mine geological modeling, promote the construction of "digital mines", and start tackling key technological issues in developing smart mine resources in a green, safe and efficient way, realizing the construction of mines and the upshift and upgrade of equipment. Secondly, for smelting, the Company will start tackling key technologies for the production of oxygen-enriched high-grade matte, key technologies for the digital conversion of oxygen-enriched bottom-blown high-grade matte, and key technologies for the overall optimization of III-system sulfuric acid processes in Ausmelt furnace to upgrade and transform technical equipment, process flow and management system, thus creating an economical, environmentally friendly, efficient and clean production plant. Based on the development of rare and precious metal products, the Company will start concentrating efforts on key core technologies to build a "little giant" high-tech enterprise.

(II) Financial risks

1. Financial and financial derivatives business risks

Risk description: Significant changes in the production organization plan may easily result in the adjustment of the value preservation plan; the increased fluctuations in the RMB exchange rate increase foreign exchange risks; unusual volatility in the spot market increases the risk of value preservation.

Responses: Firstly, once the Company's production organization plan is adjusted, the relevant departments will communicate with each other in a timely manner to adjust the value preservation plan and ensure that the value preservation target is achieved. Secondly, the Company will regularly balance the demand for foreign exchange funds to achieve a relative balance of exchange rate payments. Thirdly, the Company will make full use of both the domestic and foreign markets to carry out corresponding value preservation and achieve a reasonable distribution of value preservation positions.

2. *Cash flow risk*

Risk description: There are multiple uncertainties in the Company's raw material organization. The price of copper raw materials continues to run at a high level, and the occupancy of inventory funds fluctuates greatly. The completion and commissioning of 400,000-tonne project will increase the demand for funds.

Responses: Firstly, the Company will secure funds for the production and procurement of projects. In the first quarter of 2022, the Company will strive to obtain a credit from five major banks for the 400,000-tonne project while actively striving for credits from policy banks, joint-stock banks and foreign-funded banks, aiming for a cumulative credit totaling RMB17 billion. Secondly, the Company will ensure that the formulation and issuance of inventory reserve quotas and the review and approval of credit risks are on track, strengthen the coordinated operation of the mechanism linking supply, production and sales with capital, break down the management and control of inventory positions and accounts receivable from an yearly to monthly basis to control balance, and push the launch of an ERP system for business to achieve dynamic process control of information sharing. Thirdly, the Company will strengthen the management and control of budgets. The Company will prepare marketing budgets with production and business plans as the basis to improve the accuracy of marketing budgets. Adhering to the principle of determining expenditure by income, the Company will strengthen management of the balance between purchases and sales to ensure the strict implementation of production and business plans and budgets. Fourthly, the Company will increase the use of revolving financing products in response to temporary capital fluctuations to ensure liquidity safety.

(III) Market risk

1. *Market changes and market competition risks*

Risk description: Commodity prices continue to rise and future copper prices are uncertain, with price fluctuations having a great impact on earnings.

Responses: The Company will strengthen the study and research on the market prices of commodities, and balance the production, supply and sales. Besides, the Company will enhance the management capability of hedging business and give full play to the positive effect of financial instruments on price risk. The Company will benchmark itself against industry leaders, strengthen the control of process indicators, implement measures to reduce costs and improve efficiency, and reduce costs to create its own profitability.

(IV) Operational risks

1. *Quality risk*

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

Responses: Firstly, the Company will continue to improve the quality management system and strengthen the publicization of quality system management knowledge. Secondly, the Company will continue to strengthen the quality control during the production. Thirdly, the Company will continue to improve the quality of inspection supervision mechanism to implement the quality control of inspection and analysis. Fourthly, the Company will continue to improve the audit efficiency and internal and external audit improvement effect.

2. *Procurement and supply chain management risks*

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

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

(V) Legal Risks

1. Compliance risk

Risk description: The awareness of compliance risk prevention and control among management staff is not strong, and the compliance management system needs continuous improvement.

Responses: Firstly, the Company will identify compliance obligations in our production and business activities in accordance with national laws and regulations, regulatory provisions, industry standards, rules and regulations, international treaties and rules, and other requirements. Secondly, taking risk as the guide, internal control as the method, and compliance as the bottom line, the Company will coordinate the three functions to implement integrated construction so as to ensure that the enterprise operates compliant with law. Thirdly, the Company will establish a compliance management system, establishing and perfecting the compliance management work mechanism, highlighting the key points of compliance management, and defining work responsibilities to ensure full coverage and effective implementation. Fourthly, the Company will induce, formulate, promote and cultivate risk control and compliance concepts and behavioral guidelines among our enterprises and employees. The Company will establish correct risk and compliance management concepts to enhance the awareness of employees toward risk and compliance management. The Company will continuously improve its compliance management level.

2. Contract risk

Risk description: The actual implementation of a contract in force may be subject to non-implementation or delayed implementation, and may be subject to change or cancellation of contract due to changes in the market, conditions and others.

Responses: Firstly, the Company will maintain timely communication with customers and keep written records to follow up and update the contract implementation. Secondly, if there are significant changes and the contract in force cannot be actually performed, the parties to the contract should promptly negotiate and reach a new agreement, modify and supplement the contents of the contract, in order to stop and reduce the damage in a timely manner, prevent the expansion of risks, ensure the implementation of the contract to the maximum extent possible and achieve the purpose of the contract.

Report of the Directors

Relationship with customers

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

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

Relationship with suppliers

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

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

The Impact of The Epidemic on The Company

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

Organisation and resources of the Group

To successfully implement the strategies approved by the Board, we must ensure that we have an organisational structure of efficient management and operation, adequate resources and necessary capabilities. Our organisational structure has been continuously optimised to streamline the management functions of the Company, so as to realise the model requirements of highly capable organisational structure, sophisticated business process, optimal resource allocation as well as efficient management and operation, and meet the needs of the Group's strategic development in the near future. The tables below set out the details of the Group's employee distribution as at the end of 2021:

Age				
Below 18	18 to 29	30 to 39	40 to 49	50 or above
–	513	866	3,133	511

Gender	
Male	Female
4,307	716

Employment Type	
Permanent	Short-term contract
100%	–

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

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

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

The Group's internal promotion rate is higher than that of external recruitment, reflecting its attractive career development opportunities for employees under its strong management development and succession plans. While the majority of individual development is derived from on-the-job experience, we are also committed to investing in formal training and development programmes, covering specific work skills, general management or supervisory skills and language training. These programmes are either organised internally or provided through external courses and conferences. The table below set out the percentage of employees trained of the Group by gender, as well as the average training hours per employee during the year ended 31 December 2021:

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

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

The excellent ability of the Group to retain staff is reflected in its voluntary turnover rate, which is typically lower than the local market average in most of its business segments. The tables below set out the voluntary staff turnover rate of the Group by age group and gender during the year ended 31 December 2021:

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

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

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the financial information of the Group for each of the five years ended 31 December 2021 is presented below.

Summary of selected items of consolidated statement of profit or loss

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**35,677,656**	29,387,562	32,805,685	30,749,010	33,529,012
Profit/(loss) for the year attributable to:					
Owners of the Company	**286,436**	306,415	146,664	(100,959)	(97,247)
Non-controlling interests	**50,140**	(4,779)	26,884	14,357	6,056
Profit/(loss) for the year	**336,576**	301,636	173,548	(86,602)	(91,191)

Summary of selected items of consolidated statement of financial position

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Current assets	**7,681,773**	6,417,099	8,324,527	8,364,655	6,805,400
Non-current assets	**9,453,334**	8,439,149	8,474,837	8,607,229	9,067,141
Total assets	**17,135,107**	14,856,248	16,799,364	16,971,884	15,872,541
Liabilities					
Current liabilities	**7,038,537**	6,333,015	8,247,770	8,083,411	6,666,410
Non-current liabilities	**5,939,196**	5,052,435	5,682,032	6,472,459	6,678,223
Total liabilities	**12,977,733**	11,385,450	13,929,802	14,555,870	13,344,633
	4,157,374	3,470,798	2,869,562	2,416,014	2,527,908
Equity attributable to owners of the Company	**2,986,511**	2,690,540	2,384,125	2,237,461	2,363,712
Non-controlling interests	**1,170,863**	780,258	485,437	178,553	164,196
	4,157,374	3,470,798	2,869,562	2,416,014	2,527,908

Report of the Directors

PRINCIPAL ACTIVITIES

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

The Group's revenue and segment information for the year ended 31 December 2021 are set out in notes 5 and 6 to the consolidated financial statements, respectively.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss on page 78 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil). No interim dividend was declared during the year (2020: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2021 is set out in note 38 to the consolidated financial statements.

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the company laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders of the Company.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2021 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company had retained profits of RMB1,580,442,000 available for distribution to the Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year under review, the Company had not redeemed any of its listed securities and neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed securities.

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this report were:

Executive Directors

Wang Yan *(Ex-Chairman) (resigned as an Executive Director and Chairman on 28 January 2022)*
Xiao Shuxin *(Chairman) (appointed as an Executive Director on 15 July 2021 and as the Chairman on 28 January 2022)*
Long Zhong Sheng *(Chief Executive Officer)*
Yu Liming *(resigned on 15 July 2021)*
Wan Jun *(appointed on 28 January 2022)*
Chen Zhimiao

Independent Non-executive Directors

Wang Guoqi
Wang Qihong
Liu Jishun

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

Pursuant to bye-law 87(2) of the Current Bye-laws, Mr. Long Zhong Sheng, Mr. Chen Zhimiao and Mr. Liu Jishun shall retire by rotation at the Annual General Meeting. All of the above three Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

DIRECTORS' SERVICE CONTRACTS

No Director has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Nature of interest	Number of shares/ underlying shares	Approximate percentage of shareholding (%) *(Note 2)*	Long position/ short position
Wang Qihong	Beneficial Owner	594,000	0.00	Long position
	Interest of Spouse	1,000,000 *(Note 1)*	0.01	Long position
Wang Guoqi	Beneficial Owner	600,000	0.00	Long position

Notes:

1. Mr. Wang Qihong is deemed to be interested in 1,000,000 shares through his spouse, Ms. Geng Shuang, pursuant to Part XV of the SFO.

2. The percentage of shareholding is calculated based on 17,895,579,706 issued shares of the Company as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, none of the Directors, chief executive of the Company, their respective spouse or children under the age of 18 had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SECURITIES

As at 31 December 2021, so far as is known to the Directors, the following persons, other than the Directors and chief executive of the Company, had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of shares/ underlying shares	Approximate percentage of shareholding (%) *(Note 2)*	Long position/ short position
China Times Development Limited	Beneficial owner	11,962,999,080 shares	66.85	Long position
Parent Company	Interest in a controlled corporation	11,962,999,080 shares *(Note 1)*	66.85	Long position
CNMC	Interest in a controlled corporation	11,962,999,080 shares *(Note 1)*	66.85	Long position

Notes:

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

2. The percentage of shareholding is calculated based on 17,895,579,706 issued shares of the Company as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, the Directors are not aware of any other persons, other than the Directors and chief executive of the Company who had interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance subsisting which the Group or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly during or at the end of the year ended 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the Group's major income was generated from trading of non-ferrous metals.

The sales generated from the Group's major customers as a percentage of the Group's revenue was as follows:

– The largest customer	14.27%
– Five largest customers	35.47%

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

– The largest supplier	18.68%
– Five largest suppliers	49.15%

At no time during the year ended 31 December 2021 did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Directors own more than 5% of the issued capital of the Company) had any interest in the Group's major customers and suppliers disclosed above.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

During the year ended 31 December 2021, at no time was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONNECTED TRANSACTIONS

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

Entity	Relationship with the Company
Parent Company	Parent Company is a controlling shareholder of the Company and is therefore a connected person of the Company.
CNMC (together with its subsidiaries, the "CNMC Group")	CNMC is a controlling shareholder of the Company and is therefore a connected person of the Company.
Nonferrous Mining Group Finance Company Limited* (有色礦業集團財務有限公司) ("CNMC Financial Company")	CNMC Financial Company is a non-wholly-owned subsidiary of CNMC and is therefore a connected person of the Company.
Hubei Jilong Mountain Gold Mining Co. Ltd* (湖北雞籠山黃金礦業有限公司) ("Hubei Gold")	Hubei Gold is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.
Huangshi Xingang Nonferrous Chemical Terminal Co., Ltd.* (黃石新港有色化工碼頭有限公司) ("Huangshi Xingang")	Huangshi Xingang is indirectly owned by the Parent Company as to more than 30% and is therefore an associate of the Parent Company and a connected person of the Company.
Zhongse Aobote Copper Aluminum Co., Ltd.* (中色奧博特銅鋁業有限公司) ("Zhongse Aobote")	Zhongse Aobote is indirectly owned by CNMC as to more than 30% and is therefore an associate of CNMC and a connected person of the Company.
Hubei Edong Bangfuduo International Trade Co., Ltd.* (湖北鄂東邦福多國貿有限公司) ("Bangfuduo International Trade")	Bangfuduo International Trade is indirectly owned by Huangshi State-owned Assets Management Co., Ltd.* (黃石市國有資產經營有限公司) which directly and indirectly owned 24% of a non-wholly owned subsidiary of the Company, as to 51%. Therefore, Bangfuduo International Trade is a connected person of the Company at the subsidiary level.
Lualaba Copper Smelter SAS (盧阿拉巴銅冶煉股份有限公司*) ("Lualaba Copper")	Lualaba Copper is a non-wholly-owned subsidiary of CNMC and a connected person of the Company.

CONTINUING CONNECTED TRANSACTIONS

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

1. CNMC Financial Services Framework Agreement

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

The aggregate transaction amount incurred in accordance with the CNMC Financial Services Framework Agreement for the year ended 31 December 2021 was RMB789,393,000 for the deposit services and RMB9,257,000 for financial services provided by CNMC Group.

2. Parent Group Sales Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company
	(2) the Parent Company
Nature of transactions:	The Group will supply certain products to the Parent Group, including silver, copper cathodes, copper concentrate, natural gas, residual heat power generation, water, electricity, sulfuric acid, waste materials, scrap steel, scrap stainless steel, scrap copper cathodes mold, spare part materials and such other products as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the circular of the Company dated 27 December 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB7,207,373,000.
	The annual cap for the year of 2021 is RMB10,802,160,000.
	The annual cap for the year of 2022 is RMB14,383,651,000.

The aggregate transaction amount incurred in accordance with the Parent Group Sales Framework Agreement for the year ended 31 December 2021 was RMB5,002,428,000.

3. Huangshi Xingang Sales Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company (2) Huangshi Xingang
Nature of transactions:	The Group will supply certain products to Huangshi Xingang, including sulfuric acid and such other products as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the circular of the Company dated 27 December 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB15,000,000. The annual cap for the year of 2021 is RMB40,000,000. The annual cap for the year of 2022 is RMB75,000,000.

The aggregate transaction amount incurred in accordance with Huangshi Xingang Sales Framework Agreement for the year ended 31 December 2021 was RMB Nil.

4. Zhongse Aobote Sales Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company
	(2) Zhongse Aobote
Nature of transactions:	The Group will supply certain products to Zhongse Aobote, including copper cathodes and such other products as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the circular of the Company dated 27 December 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB2,832,000,000.
	The annual cap for the year of 2021 is RMB2,976,000,000.
	The annual cap for the year of 2022 is RMB2,976,000,000.

The aggregate transaction amount incurred in accordance with the Zhongse Aobote Sales Framework Agreement for the year ended 31 December 2021 was RMB Nil.

5. Parent Group Purchase and Production Services Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will: (i) supply certain products to the Group, including scrap copper, copper concentrate, diesel fuel, parts and equipment, waste circuit boards and such other products as agreed by the parties from time to time; and (ii) provide certain production services to the Group, including construction maintenance, engineering labour, transportation, train loading and unloading and such other production services as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the circular of the Company dated 27 December 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB2,176,535,000. The annual cap for the year of 2021 is RMB2,567,932,000. The annual cap for the year of 2022 is RMB3,121,564,000.

The aggregate transaction amount incurred in accordance with the Parent Group Purchase and Production Services Framework Agreement for the year ended 31 December 2021 was RMB164,012,000.

6. Hubei Gold Purchase Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company (2) Hubei Gold
Nature of transactions:	Hubei Gold will supply certain products to the Group, including copper concentrate and such other products as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on (i) the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the circular of the Company dated 27 December 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB69,029,000. The annual cap for the year of 2021 is RMB77,755,000. The annual cap for the year of 2022 is RMB91,893,000.

The aggregate transaction amount incurred in accordance with the Hubei Gold Purchase Framework Agreement for the year ended 31 December 2021 was RMB Nil.

7. CNMC Group Purchase and Production Services Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company (2) CNMC
Nature of transactions:	The CNMC Group will: (1) supply certain products to the Group, including blister copper, copper concentrate, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools and such other products as agreed by the parties from time to time; and (2) provide certain production services to the Group, including supervision, construction, design, purchase, maintenance and such other production services as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the circular of the Company dated 27 December 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB4,629,255,000. The annual cap for the year of 2021 is RMB3,780,591,000. The annual cap for the year of 2022 is RMB4,140,206,000.

The aggregate transaction amount incurred in accordance with the CNMC Group Purchase and Production Services Framework Agreement for the year ended 31 December 2021 was RMB2,405,745,000.

8. Combined Ancillary Services Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company
	(2) the Parent Company
Nature of transactions:	The Parent Group will provide certain services to the Group, including steel cylinder inspection and repair, gas delivery management, waste disposal, green conservation, vehicle rental, property management, food and beverage and accommodation, logistics service, mineral water, seedling, telecommunication and repair, water, electricity, telephone charges, property repair, training and such other services as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure, or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the circular of the Company dated 27 December 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB379,020,000.
	The annual cap for the year of 2021 is RMB385,323,000.
	The annual cap for the year of 2022 is RMB391,613,000.

The aggregate transaction amount incurred in accordance with the Combined Ancillary Services Framework Agreement for the year ended 31 December 2021 was RMB306,130,000.

9. Land Lease Framework Agreement

Date:	23 December 2011
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will lease certain parcels of land to the Group.
Term:	From the date on which the Land Lease Framework Agreement takes effect in accordance with its terms until 31 December 2039.
Rent, fees and other payables:	Rent will be the annual depreciation amount of the relevant parcel of land, which will be calculated as the total amount paid by the owner of the land to the relevant government authorities for acquiring the relevant land use right, divided by the estimated useful life of such land. The lessee will also bear all the taxes and duties payable for the lease, which will be calculated by reference to the rent payable. Both the rent and the aggregate taxes and duties payable by the lessee for each parcel of land will be the same for each year during the term of the lease. The above pricing mechanism is adopted since the parcels of land to be leased by members of the Group from the Parent Group are located around the four mines and the smelting plant in Hubei held by the Group and there is no comparable land in the proximity and no corresponding market rent available for reference.
Annual Caps:	The annual cap for the year of 2020 is RMB145,171,000. The annual cap for the year of 2021 is RMB1,100,000. The annual cap for the year of 2022 is RMB1,100,000.

The aggregate transaction amount incurred in accordance with the Land Lease Framework Agreement for the year ended 31 December 2021 was RMB Nil.

10. Parent Group Services Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company
	(2) the Parent Company
Nature of transactions:	The Group will provide certain services to the Parent Group, including engineering design and surveying, environment monitoring, equipment inspection and examination, technical research project, technical services, vehicle rental and such other services as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the announcement of the Company dated 22 November 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB32,414,000.
	The annual cap for the year of 2021 is RMB32,790,000.
	The annual cap for the year of 2022 is RMB17,004,000.

The aggregate transaction amount incurred in accordance with the Parent Group Services Framework Agreement for the year ended 31 December 2021 was RMB2,000.

11. Huangshi Xingang Services Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company (2) Huangshi Xingang
Nature of transactions:	Huangshi Xingang will supply certain services to the Group, including port loading and unloading of sulfuric acid, transportation service and such other services as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the announcement of the Company dated 22 November 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB10,500,000. The annual cap for the year of 2021 is RMB21,000,000. The annual cap for the year of 2022 is RMB30,000,000.

The aggregate transaction amount incurred in accordance with the Huangshi Xingang Services Framework Agreement for the year ended 31 December 2021 was RMB Nil.

12. Bangfuduo Purchase Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company (2) Bangfuduo International Trade
Nature of transactions:	Bangfuduo International Trade will supply certain products to the Group, including copper concentrate and such other products as agreed by the parties from time to time.
Term:	1 January 2020 to 31 December 2022.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail. Please refer to the announcement of the Company dated 22 November 2019 for details.
Annual Caps:	The annual cap for the year of 2020 is RMB1,099,058,000. The annual cap for the year of 2021 is RMB1,137,039,000. The annual cap for the year of 2022 is RMB1,137,039,000.

The aggregate transaction amount incurred in accordance with the Bangfuduo Purchase Framework Agreement for the year ended 31 December 2021 was RMB Nil.

13. Asset Lease Framework Agreement

Date:	22 November 2019
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group will lease certain assets (including properties, vehicles, equipment and sulfuric acid tank trucks) to the Parent Group, and also guarantee that the Parent Group will have the exclusive right to use such assets during the term of the Asset Lease Framework Agreement. The Parent Group will lease certain assets (including sulfuric acid tank trucks, sulfuric acid (by tanks), tank trucks, oil tank tubes and university student apartments) to the Group, and also guarantee that the Group will have the exclusive right to use such assets during the term of the Asset Lease Framework Agreement.
Term:	1 January 2020 to 31 December 2022.
Pricing Mechanism:	The pricing will be based on the depreciation and related tax amount. Please refer to the announcement of the Company dated 22 November 2019 for details.
Annual Caps:	(a) The Group's lease of assets to the Parent Group The annual cap for the year of 2020 is RMB3,513,000. The annual cap for the year of 2021 is RMB3,513,000. The annual cap for the year of 2022 is RMB3,513,000. (b) The Parent Group's lease of assets to the Group The annual cap for the year of 2020 is RMB2,520,000. The annual cap for the year of 2021 is RMB2,520,000. The annual cap for the year of 2022 is RMB2,520,000.

The aggregate transaction amount incurred in accordance with the Asset Lease Framework Agreement for the year ended 31 December 2021 was RMB679,000 for the Group's lease of assets to the Parent Group and RMB Nil for the Parent Group's lease of assets to the Group.

14. Technical Services Agreement

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

EXTENSION AND REVISED CAP AMOUNT UNDER THE TECHNICAL SERVICES AGREEMENT

As the Technical Services Agreement expired on 18 November 2020, Daye Metal and Lualaba Copper entered into a supplementary agreement to the Technical Services Agreement on 13 January 2021 to extend the service period under the Technical Services Agreement to 30 June 2021, during which period the cap of the service fees to be paid by Lualaba Copper to Daye Metal will be RMB2,320,000.

The Board further approved on 17 May 2021 to increase the cap of the service fees to be paid by Lualaba Copper to Daye Metal for 13 January 2021 to 30 June 2021 to be RMB4,162,039.

The aggregate transaction amount incurred in accordance with the Technical Services Agreement for the year ended 31 December 2021 was RMB3,080,000.

Save as disclosed above, there are no other related party transactions or continuing related party transactions as set out in Note 44 to the Consolidated Financial Statements as set out in this report which constitutes connected transactions or continuing connected transactions that need to be disclosed under the Listing Rules. The connected transactions of the Company are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Confirmation from the Independent Non-Executive Directors

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

The independent non-executive Directors have reviewed the continuing connected transactions mentioned above and confirmed that the transactions have been entered into in the ordinary and usual course of the business of the Group, on normal commercial terms or better, and in accordance with the relevant pricing policies and the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Auditor

The Company's auditor has been engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

In respect of the continuing connected transactions, the Company's auditor confirmed that:

a. nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

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

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

INTERNAL CONTROL

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

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

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

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 5,023 employees (2020: 5,769). The Group's total staff costs for the year was approximately RMB779,220,000 (2020: RMB630,848,000). The remuneration package of staff consists of basic salary, mandatory provident fund, insurances and other benefits as considered appropriate.

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

The emoluments of the Directors are subject to the recommendations of the remuneration committee of the Company and the Board's approval. Other emoluments including discretionary bonuses, are determined by the Board with reference to the Directors' duties, abilities, reputation and performance.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the year ended 31 December 2021 and as of the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Mr. Wang Yan has resigned as an executive Director, the chairman of the Board and the chairman of the nomination committee of the Company (the"Nomination Committee") with effect from 28 January 2022 due to his other business commitments. Mr. Xiao Shuxin, an existing executive Director, has been appointed as the chairman of the Board and the chairman of the Nomination Committee with effect from 28 January 2022. Mr. Wan Jun has been appointed as an executive Director with effect from 28 January 2022.

Save as disclosed above, the Group had no material event after the reporting period.

AUDITOR

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

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by SHINEWING, who will retire and being eligible, offer themselves for re-appointments at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint SHINEWING as the auditor of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

On behalf of the Board
Xiao Shuxin
Chairman
31 March 2022

Corporate Governance Report

The Company recognizes the importance of maintaining a high standard of corporate governance. The Company believes that an effective corporate governance practice is fundamental to enhancing shareholder value and safeguarding the interests of Shareholders and other stakeholders. The Board sets appropriate policies and implements corporate government practices appropriate to the conduct and growth of the Group's business. The code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") have been adopted to shape the Company's corporate governance structure. This corporate governance report describes how the principles of the CG Code have been applied during the year ended 31 December 2021 under different aspects.

CG CODE COMPLIANCE

For the year ended 31 December 2021, the Company had complied with the code provisions of the CG Code except for deviation from code provision A.1.1 of the CG Code as summarized below:

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2021, only two regular board meetings were held to review and discuss the annual results and interim results. The financial and operational data for the first and the third quarter has been given to the Directors 14 days before the meeting. All the Directors did not have opinion after reviewing and considered the holding of quarterly meetings not necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the directors of the Company. All Directors have confirmed, following specific enquiries made by the Company, that they had complied with the required standard set out in the Model Code during the year ended 31 December 2021.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Board comprises four executive Directors (including the Chairman of the Board) and three independent non-executive Directors, whose biographical details are set out in the "Biographical Details of Directors" section on pages 3 to 4 of this annual report, namely:

Name of Director	Date of first appointment to the Board	Date of last re-election as Director
Executive Directors		
Xiao Shuxin *(Chairman)*	15 July 2021	N/A
Long Zhong Sheng *(Chief Executive Officer)*	22 March 2012	26 May 2021
Wan Jun	28 January 2022	N/A
Chen Zhimiao	21 June 2019	30 June 2020
Independent Non-Executive Directors		
Wang Guoqi	13 January 2006	26 May 2021
Wang Qihong	13 January 2006	26 May 2021
Liu Jishun	31 July 2014	30 June 2020

Roles and responsibilities of the Board

The Board is collectively responsible for overseeing the management of the business and affairs of the Group. The Board meets regularly to discuss the overall strategies as well as operational and financial performances of the Group. Certain matters are reserved for decisions by the Board, including matters relating to: (i) the formulation of the Group's overall strategy and directions; (ii) any material conflict of interest of substantial Shareholders of the Company or Directors; (iii) approval of the Group's annual results, annual budgets, interim results and other significant operational and financial transactions; (iv) changes to the Company's capital structure; and (v) major appointments by the Board. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of policies and strategies decided by the Board to the executive Directors and management of the Company. No Directors have any relations among one another (including financial, business, family or other material or related relations).

The Board is also responsible for performing the corporate governance duties including risk management, internal controls and relevant compliance issues relating to the business operation of the Group.

The Board reviews and monitors the training and continuous professional developments of directors and senior management; develops, reviews and monitors the code of conduct and compliance manual applicable to employees and directors.

The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. All Directors bring a variety of experience and expertise to the Company.

Board meetings and Board practices

All Directors have been given sufficient time and support to understand the affairs of the Group and they have full and timely access to all relevant information regarding the Group's affairs and have unrestricted access to the advice and services of the Company Secretary. The Directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

During the year ended 31 December 2021, 2 Board meetings and 1 general meeting of the Company were held. The meetings are structured to allow open discussion. At the Board meetings, the Directors participated in discussing the strategies, operational and financial performance, corporate governance policy and internal control of the Group.

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

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

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

Notices of regular Board meetings were given to the Directors at least 14 days prior to the date of the relevant meeting. Briefing papers were prepared for all substantive agenda items and were circulated to the Directors at least 3 days before each Board meeting. The Company Secretary is responsible for providing accurate, timely and clear information to the Directors prior to the Board meetings so as to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meeting.

If any of the Directors has a potential conflict of interest in a matter being considered in the Board meeting, such Director(s) shall abstain from voting in relation to that particular matter. Independent non-executive Directors present at the Board meetings with no conflict of interest in such matters would deal with such conflict of interest issues.

Access to sufficient information of the Group

The management is committed to providing the Board with appropriate and sufficient explanation and information of the Group's affairs through financial reports, business and operational reports and budget statements, in a timely manner, to enable them to make informed decisions.

The Directors are also provided with access to the Group's management and Company Secretary at all times to obtain relevant information for carrying out their duties as Directors of the Company.

Continuing professional development

The Directors keep abreast of their responsibilities and of the conduct, business activities and development of the Company. The Company Secretary from time to time updates and provides training materials to the Directors, and organizes seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities.

During the year ended 31 December 2021, the Company provided training materials to the Directors and the management of the Company regarding the Listing Rules and other applicable regulatory requirements.

A summary of the trainings participated by the Directors during the year ended 31 December 2021 is as follows:

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

Permitted Indemnity Provisions

During the financial year ended 31 December 2021 and up to the date of this report, the Company has in force indemnity provisions under its Bye-laws as permitted under applicable laws.

The Company has appropriate liability insurance in place to indemnify all the Directors for the liabilities arising out of the corporate activities to the extent permissible under applicable laws. The Company renews the insurance coverage on an annual basis.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with code provision A.2.1 of the CG Code, during the year ended 31 December 2021, the roles of the Chairman, Mr. Wang Yan, and those of the Chief Executive Officer, Mr. Long Zhong Sheng, are segregated in order to reinforce their independence and accountability.

Mr. Wang Yan is responsible for providing leadership of the Board and ensuring that all Directors are properly informed on issues to be discussed at Board meetings. In addition, he is responsible for ensuring that all Directors receive, in a timely manner, adequate, complete and reliable information in relation to the Group's affairs. The Chairman also encourages Directors to actively participate in and to make a full contribution to the Board so that the Board functions effectively and acts in the best interest of the Company.

Mr. Long Zhong Sheng is responsible for the strategic planning, administration and management of the business of the Group. He is also responsible for the formulation and successful implementation of Group policies and assuming full accountability to the Board for all operations of the Group. Mr. Long Zhong Sheng oversees the Group's compliance and internal control matters and maintains an ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business developments and issues. He has also been focusing on strategic planning and assessment of mergers and acquisitions opportunities for the Company.

NON-EXECUTIVE DIRECTORS

All independent non-executive Directors were not appointed for a specific term under their respective letter of appointment. However, they are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, which achieves the same effect as having the non-executive Directors being appointed for a specific term. All the incumbent independent non-executive Directors have retired from the office by rotation and have been re-elected in the past three years. In the Board meetings and Board committee meetings held during the year, constructive views and comments are given from the independent non-executive Directors, who have provided their independent judgment on the issues relating to the strategy, performance, conflict of interest and management process of the Group.

During the year ended 31 December 2021, there were three independent non-executive Directors, representing more than one-third of the Board. Among the three independent non-executive Directors, one of them has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its independent non-executive Directors a written confirmation of his independence and the Board considers all of them, namely Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Liu Jishun, to be independent pursuant to Rule 3.13 of the Listing Rules.

Independent non-executive Directors will attend and provide advices when the Board consider material issues. The Board will count the number of board meetings the independent non-executive directors attended and the advices they provided every year to ensure that the Boards can obtain independent views and opinions.

COMPANY SECRETARY

The Company Secretary, Mr. Wong Yat Tung, plays an important role in supporting the Board by ensuring efficient and effective information flow within the Board and that the Board's policy and procedures are followed.

The Company Secretary has knowledge of the Company's day-to-day affairs. The Company Secretary reports to the Board through the Chairman and Chief Executive Officer. All Directors may access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters and facilitate the induction and professional development of the Directors.

The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

During the year ended 31 December 2021, the Company Secretary had taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

The Board is fully involved in the selection and appointment of the Company Secretary.

BOARD COMMITTEES

To assist the Board in the execution of its duties, the Board has delegated specific functions to three Board committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, details of which are as follows during the year ended 31 December 2021:

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors			
Wang Yan *(Chairman)*	–	–	Chairman
Long Zhong Sheng	–	–	–
Xiao Shuxin	–	–	–
Chen Zhimiao	–	–	–
Independent Non-Executive Directors			
Wang Guoqi	Chairman	Chairman	Member
Wang Qihong	Member	Member	Member
Liu Jishun	Member	Member	Member

The written terms of reference for each of the Board committees are available at the Company's website and the Stock Exchange's website.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company, and the remuneration packages of individual Directors and senior management of the Company.

The remuneration for the executive Directors comprises basic salary, allowance and discretionary bonus.

Salary adjustments are made where the Remuneration Committee takes into account performance, contribution and responsibilities of the individual. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors such as market conditions as well as corporate and individual's performance during the year.

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

Remuneration	Purpose	Reward	Policy details
Basic salary	To reflect the market value of each individual	Cash payment monthly	Reviewed annually with market trend
Allowance	To attract and retain employees	Reimbursement	Market conditions
Discretionary bonus	To motivate employees to deliver high levels of performance of the Company and individual performance goals	Cash payment	– Individual performance – Company performance

The remuneration committee has reviewed the breakdown of the Directors' remuneration for the year ended 31 December 2021 set out in note 13 to the consolidated financial statements.

REMUNERATION OF SENIOR MANAGEMENT

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

(RMB)	Number of Senior Management Year ended December 31, 2021	2020
1-500,000	**0**	0
500,001-1,000,000	**1**	1
1,000,001-1,500,000	**0**	0

During the year ended 31 December 2021, the Remuneration Committee held 1 meeting. The Remuneration Committee made recommendations to the Board on the remuneration of non-executive Directors and assessed the performance of the executive Directors. Members of the Remuneration Committee and the attendance of each member are as follows:

Name of Directors	Position	Role in Remuneration Committee	Meetings Attended/ Eligible to Attend
Wang Guoqi	Independent non-executive Director	Chairman	1/1
Wang Qihong	Independent non-executive Director	Member	1/1
Liu Jishun	Independent non-executive Director	Member	1/1

Nomination Committee

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

The criteria for appointment of a new Director are set out below:

- independence (in the case of a potential independent non-executive Director);
- possession of core competencies that meet the needs of the Company;
- ability to commit time and carry out duties and responsibilities.

The Nomination Committee makes recommendations of the appointment of new Directors after taking the following steps:

- Evaluate the balance of skills, knowledge and experience on the Board and determine the role and desirable competencies for a particular appointment in consultation with the management; and
- Conduct interviews with potential candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required.

The Company is committed to maintaining a highly effective Board which should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of its business. Thus, the Company recognizes and embraces the benefits of having a diverse Board. As such, the Nomination Committee formulated and adopted the Board Diversity Policy in August 2013 and the Nomination Committee has been delegated with the task of reviewing the Board Diversity Policy, the measurable objectives set for implementing the Board Diversity Policy, and the progress on achieving such objectives. The Board Diversity Policy sets out the approach to achieve diversity in the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2021, the Nomination Committee held 2 meetings. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, recommended list of directors to be re-elected at the annual general meeting, reviewed the independence of independent non-executive Directors, reviewed the goals set for the implementation of the board's diversity policy and recommended appointment of an executive Director to the Board.

Members of the Nomination Committee and the attendance of each member are as follows:

Name of Directors	Position	Role in Nomination Committee	Meetings Attended/ Eligible to Attend
Wang Yan	Executive Director	Chairman	0/2
Wang Guoqi	Independent non-executive Director	Member	2/2
Wang Qihong	Independent non-executive Director	Member	2/2
Liu Jishun	Independent non-executive Director	Member	2/2

Board Diversity

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

Measurable objectives

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

Implementation and monitoring

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

In March 2022, the Nomination Committee reviewed the Board structure and the biographical details of the retiring Directors and the newly appointed Director for re-election at the forthcoming annual general meeting of the Company in accordance with the criteria under the Nomination Policy and the Diversity Policy. The Nomination Committee considered that the retiring Directors have the required character, integrity and professional knowledge and experience to continue fulfilling their role and contributing to the Company and that the new Director is of sufficient caliber and experience appropriate for the requirements of the Company's businesses. The Nomination Committee has made recommendations to the Board on the nomination of the above-mentioned retiring Directors and new Director.

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

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

(2) Ethnicity: Among the existing 7 Directors, 1 is Hui nationality, 6 are Han nationality;

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

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

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

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

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

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

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

Audit Committee

The principal duties of the Audit Committee include monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of Company's internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget) and risk management as delegated by the Board, and making recommendations to the Board on the appointment and engagement of the external auditor for the audit and non-audit services. The responsibilities and authorities of the Audit Committee also include such responsibilities and authorities set out in the relevant code provisions of the CG Code as contained in Appendix 14 to the Listing Rules (as amended from time to time). The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

Members of the Audit Committee and the attendance of each member are as follows:

Name of Directors	Position	Role in Audit Committee	Meetings Attended/ Eligible to Attend
Wang Guoqi	Independent non-executive Director	Chairman	3/3
Wang Qihong	Independent non-executive Director	Member	3/3
Liu Jishun	Independent non-executive Director	Member	3/3

During the year ended 31 December 2021, the Audit Committee held three meetings and reviewed with the management the Group's 2020 annual results, 2021 interim results and related announcements including the disclosures, financial reporting and the accounting policies adopted by the Group prior to the submission to the Board's approval; discussed significant judgments affecting Group's consolidated financial statements and approved the appointment of auditor; reviewed and discussed the internal control report; reviewed and assessed the adequacy and effectiveness of the Company' internal control and risk management; and reviewed and monitored the external auditor's independence and objectivity and the effectiveness during the audit process; matters relating to the CG code: (1) to review the policies and practices on corporate governance of the Company; (2) to review and monitor the training and continuous professional development of directors; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and (5) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report; and reviewed and approved change of auditor.

The Board is responsible for preparing the financial statements that give a true and fair view of the financial position of the Group on a going concern basis. The Audit Committee has reviewed the Company's annual results and consolidated financial statements for the year ended 31 December 2021. The Directors acknowledge their responsibilities for preparing a balanced, clear and comprehensive assessment in annual/interim reports, price-sensitive announcements and other financial disclosures. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the year ended 31 December 2021, the remuneration paid and payable to SHINEWING in respect of their audit and non-audit services were as follow:

	2021 RMB'000
Audit Services	1,600
Non-audit Services	400
Total	2,000

The above non-audit services mainly included the review of the Group's interim report for the six months ended 30 June 2021.

The accounts for the year were audited by SHINEWING whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that SHINEWING be nominated for re-appointment as the auditor of the Company at the forthcoming annual general meeting.

BOARD'S RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for the preparation of accounts for each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 December 2021, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and has prepared the accounts on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the effectiveness of the Group's risk management and internal control systems. The risk management and internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against any misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business operations and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis.

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

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

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

To further strengthen the internal control of the Group, a control department has been established to provide day-to-day management of the compliance and control of the Group in order to eliminate risks of failure of operational systems and the achievement of the Company's objectives.

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

The Audit Committee conducted a review on the effectiveness of the internal control and risk management systems and procedures of the Group on an annual basis. During the year ended 31 December 2021, the Audit Committee was satisfied that the Company's internal control and risk management systems are effective and adequate to meet the needs of the Company in its current business environment.

Based on the internal control reports, the Board is of the view that the internal controls of the Group are adequate and in compliance with the code provisions on internal control as set out in the Listing Rules.

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

INVESTOR AND SHAREHOLDER RELATIONS

Dividend policy

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

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

Communication with Shareholders and Investors

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders are receiving accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, press releases and announcements, and also the Company's website at www.hk661.com.

Corporate communications issued by the Company have been provided to the Shareholders in both English and Chinese versions to facilitate their understanding of the Group's affairs. A section entitled "Investor relations" is available on the Company's website, of which information is updated on a regular basis.

Information released by the Company on the website of the Stock Exchange is also posted on the Company's website immediately thereafter in accordance with the Listing Rules. Such information includes financial statements, announcements, circulars to Shareholders and notices of general meetings, etc.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed with the Group's strategy, operations, management and plans. The Company's website is also a source of information for its Shareholders and prospective Shareholders. All materials on annual reports, interim reports and announcements are available on our website immediately following confirmation of their release. The contact details of the Investor Relations are also available on the Company's website which allows Shareholders to contact the Company easily.

The Directors and the Board committees' members are available to answer the questions from the Shareholders through the annual general meeting. External auditor is also available at the annual general meeting to address Shareholders' queries. Separate resolutions are proposed at general meeting on each substantially separate issue.

Our investor relations activities include:

- teleconferencing with analysts and fund managers;
- updating the Company's website regularly;
- holding annual general meetings with Shareholders; and
- disclosing information on a timely basis via the Company's and Stock Exchange's website.

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

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

Convening of General Meetings

The Board strives to maintain an on-going dialogue with the Shareholders of the Company. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The process of the Company's general meeting are monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. The Company uses annual general meeting as one of the principal channels for communicating with the Shareholders. The Company ensures that Shareholders' views are communicated to the Board.

At the annual general meeting, each substantially separate issue has been considered by a separate resolution, including the election of individual Directors. The Chairman of the Board, chairmen of the respective Board committees and the external auditor usually attend annual general meetings to communicate with and answer questions from the Shareholders.

Shareholder's Rights

Procedures for Shareholders to convene an extraordinary general meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

The Board may whenever it think fit call extraordinary general meetings. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expense incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling.

Contact details of the Company Secretary:
Mr. Wong Yat Tung
Suite No. 10B, 16/F
Tower 3, China Hong Kong City
China Ferry Terminal
33 Canton Road, Kowloon
Hong Kong
Fax: (852) 2868 2302

Company's constitutional documents

There was no significant change in the Company's Memorandum of Association and Bye-laws during the year.

Whistleblowing Policy

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

Independent Auditor's Report

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

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

OPINION

We have audited the consolidated financial statements of China Daye Non-Ferrous Metals Mining Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 78 to 167, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

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

Refer to notes 16, 17 and 19 to the consolidated financial statements and the accounting policies on pages 99 to 100.

The key audit matter	How the matter was addressed in our audit
We identified the impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine located in Xinjiang, the People's Republic of China, held by the Group as a key audit matter due to the significance of the balances of these assets, and of management judgements in respect of forecast of copper price, and discount rate adopted as part of the impairment review as disclosed in note 4 to the consolidated financial statements. The Group conducted an impairment review of these assets by assessing the recoverable amount of the relevant cash generating unit ("CGU") to which these assets belong based on a value-in-use calculation. As disclosed in note 16 to the consolidated financial statements, the Group recognised an impairment loss on these assets in prior years. The aggregate carrying amounts of these assets as at 31 December 2021 are RMB957,054,000, which consist of the carrying amounts of property, plant and equipment amounted to RMB673,321,000, right-of-use assets amounted to RMB9,779,000 and mining rights amounted to RMB273,954,000. Any further impairment loss or reversal of impairment loss could have a significant financial impact on the consolidated financial statements.	Our procedures in relation to impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to the copper mine included: • Understanding the internal controls relevant to the impairment assessment of property, plant and equipment, right-of-use assets and mining rights attributable to such copper mine; • Comparing copper price used in the value-in-use calculation to industry forecasts of copper price and challenging management's basis on the estimation; • Evaluating the valuation methodology used in determining the recoverable amount of the relevant CGU with the assistance of our internal valuation specialists; and • Reviewing the discount rate used in determining the recoverable amount of the relevant CGU by comparing a range of estimate on discount rate developed by our internal valuation specialists with the discount rate adopted by the management.

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

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kwan Chi Fung.

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

Hong Kong
31 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5, 6	**35,677,656**	29,387,562
Cost of sales and services rendered		**(34,407,108)**	(28,386,900)
Gross profit		**1,270,548**	1,000,662
Other income	7	**66,472**	79,358
Selling expenses		**(50,077)**	(57,059)
Administrative expenses		**(394,121)**	(315,615)
Other operating expenses		**(17,610)**	(24,483)
Impairment losses under expected credit loss model, net	8	**(50,363)**	(49,221)
Other gains and losses	9	**(38,965)**	33,834
Finance costs	10	**(314,366)**	(336,756)
Share of results of joint ventures		**–**	–
Profit before tax		**471,518**	330,720
Income tax expenses	11	**(134,942)**	(29,084)
Profit for the year	12	**336,576**	301,636
Profit (loss) attributable to:			
Owners of the Company		**286,436**	306,415
Non-controlling interests		**50,140**	(4,779)
		336,576	301,636
Earnings per share			
Basic and diluted	15	**RMB1.60 fen**	RMB1.71 fen

Consolidated Statement of Financial Position

AS at 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**7,401,211**	6,454,696
Right-of-use assets	17	**952,556**	927,420
Exploration and evaluation assets	18	**5,179**	11,946
Intangible assets	19	**716,140**	598,795
Investments in joint ventures	20	**–**	–
Deferred tax assets	21	**60,638**	52,013
Other deposits	24	**317,610**	394,279
		9,453,334	8,439,149
CURRENT ASSETS			
Inventories	22	**5,825,229**	4,549,585
Trade and bills receivables	23	**83,447**	201,176
Other deposits	24	**299,096**	167,937
Prepayments and other receivables	25	**212,445**	402,453
Derivative financial instruments	26	**46,559**	175,164
Structured bank deposits	27	**400,000**	500,000
Pledged deposits	28	**195**	46,049
Cash, deposits and bank balances	28	**814,802**	374,735
		7,681,773	6,417,099
CURRENT LIABILITIES			
Trade payables	29	**1,812,904**	1,601,151
Other payables and accrued expenses	30	**717,679**	823,710
Contract liabilities	31	**231,703**	44,806
Bank and other borrowings	32	**2,999,443**	3,713,591
Lease liabilities	33	**4,946**	4,715
Promissory note	35	**1,095,852**	–
Derivative financial instruments	26	**43,818**	112,342
Early retirement obligations	37	**21,530**	28,320
Current income tax liabilities		**110,662**	4,380
		7,038,537	6,333,015
NET CURRENT ASSETS		**643,236**	84,084
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,096,570**	8,523,233

Consolidated Statement of Financial Position

AS at 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
CAPITAL AND RESERVES			
Share capital	38	**727,893**	727,893
Share premium and reserves		**2,258,618**	1,962,647
Equity attributable to owners of the Company		**2,986,511**	2,690,540
Non-controlling interests		**1,170,863**	780,258
TOTAL EQUITY		**4,157,374**	3,470,798
NON-CURRENT LIABILITIES			
Other payables	30	**390,818**	276,333
Bank and other borrowings	32	**5,152,158**	3,282,081
Lease liabilities	33	**132,909**	137,855
Promissory note	35	**–**	1,053,503
Provision for mine rehabilitation, restoration and dismantling	34	**54,344**	52,816
Deferred income	36	**146,557**	166,227
Early retirement obligations	37	**62,410**	83,620
		5,939,196	5,052,435
		10,096,570	8,523,233

The consolidated financial statements on pages 78 to 167 were approved and authorised for issue by the board of directors on 31 March 2022 and are signed on its behalf by:

Xiao Shuxin
Director

Long Zhong Sheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Other reserve RMB'000 (note (iii))	Share premium RMB'000	Contributed surplus RMB'000 (note (i))	Capital reserve RMB'000 (note (ii))	Statutory reserves RMB'000 (note (iv))	Translation reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	727,893	1,554,303	124,592	4,373,075	(4,184,848)	114,038	5,876	(330,804)	2,384,125	485,437	2,869,562
Profit (loss) for the year	–	–	–	–	–	–	–	306,415	306,415	(4,779)	301,636
Appropriation of maintenance and production funds	–	–	–	–	–	62,404	–	(62,404)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(67,833)	–	67,833	–	–	–
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	299,600	299,600
At 31 December 2020 and 1 January 2021	**727,893**	**1,554,303**	**124,592**	**4,373,075**	**(4,184,848)**	**108,609**	**5,876**	**(18,960)**	**2,690,540**	**780,258**	**3,470,798**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**286,436**	**286,436**	**50,140**	**336,576**
Appropriation of maintenance and production funds	**–**	**–**	**–**	**–**	**–**	**61,605**	**–**	**(61,605)**	**–**	**–**	**–**
Utilisation of maintenance and production funds	**–**	**–**	**–**	**–**	**–**	**(70,993)**	**–**	**70,993**	**–**	**–**	**–**
Transfer to PRC statutory reserve	**–**	**–**	**–**	**–**	**–**	**34,172**	**–**	**(34,172)**	**–**	**–**	**–**
Contribution from shareholders	**–**	**9,535**	**–**	**–**	**–**	**–**	**–**	**–**	**9,535**	**465**	**10,000**
Capital injection from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**340,000**	**340,000**
At 31 December 2021	**727,893**	**1,563,838**	**124,592**	**4,373,075**	**(4,184,848)**	**133,393**	**5,876**	**242,692**	**2,986,511**	**1,170,863**	**4,157,374**

Notes:

(i) In accordance with the provisions of Section 46(2) of the Companies Act of Bermuda and with effect from 10 June 1993, the entire amount standing to the credit of the share premium account of the Company was cancelled and was partly applied to eliminate in full accumulated losses of the Company with the remainder credited to the contributed surplus of the Company during the year ended 31 December 2013.

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

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

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

Statutory surplus reserve

Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements prepared in accordance with relevant PRC accounting standards (as determined by the management of the subsidiary) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective subsidiary and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholder.

Specific reserve for maintenance and production funds

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**471,518**	330,720
Adjustments for:		
Interest income	**(30,880)**	(29,266)
Finance costs	**314,366**	336,756
Share of results of joint ventures	**–**	–
Exchange gains, net	**(139)**	(1,933)
Depreciation and amortisation	**710,492**	719,186
Loss (gain) on disposal of property, plant and equipment, net	**4,666**	(6,644)
Gain on disposal of right-of-use assets	**(9,703)**	–
Write-off of property, plant and equipment	**76,524**	33,062
Impairment losses under expected credit loss model, net	**50,363**	49,221
Losses (gains) on fair value changes in respect of:		
Commodity derivatives contracts	**–**	(911)
Currency forward contracts	**(2,382)**	224
Currency option contracts	**–**	(9,490)
Currency exchange swap contracts	**–**	7,402
Gold forward contracts	**59,210**	128,216
Gold loans designated as financial liabilities at fair value through profit or loss	**(59,218)**	(147,933)
Actuarial gains recognised during the year	**(2,220)**	(21,050)
Impairment loss of property, plant and equipment	**1,162**	11,374
Write-down of (reversal of) inventories	**2,784**	(22,478)
Deferred income recognised	**(23,111)**	(25,188)
Operating cash flows before movements in working capital	**1,563,432**	1,351,268
(Increase) decrease in inventories	**(1,278,428)**	342,050
Decrease in derivative financial instruments, net	**3,253**	8,113
Decrease in trade and bills receivables	**92,044**	768,759
Decrease (increase) in prepayments and other receivables	**158,193**	(260,719)
Increase (decrease) in trade payables	**211,753**	(207,839)
Increase in other payables and accrued expenses	**(167,761)**	95,510
Increase in contract liabilities	**186,897**	1,025
Increase in other deposits	**(119,248)**	(36,447)
Benefits paid for early retirement obligations	**(28,470)**	(33,670)
Cash generated from operations	**621,665**	2,028,050
Income tax paid	**(37,285)**	(7,589)
NET CASH FROM OPERATING ACTIVITIES	**584,380**	2,020,461

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES		
Placement of structured bank deposits	**(2,400,000)**	(60,000)
Payments for property, plant and equipment	**(1,521,983)**	(695,395)
Payments for right-of-use assets	**(60,084)**	(133,513)
Payments for intangible assets	**(32,418)**	–
Advance to a fellow subsidiary	**(16,570)**	–
Payments for exploration and evaluation assets	**(8,558)**	(3,872)
Placement of pledged deposits	**(195)**	(1,273)
Release of structured bank deposits	**2,500,000**	–
Release of pledged deposits	**46,049**	–
Interest received	**30,880**	29,266
Repayment from a fellow subsidiary	**15,291**	–
Proceeds from disposal of right-of-use assets	**12,025**	–
Repayment from joint ventures	**8,416**	4,188
Proceeds from disposal of property, plant and equipment	**562**	9,228
Receipts of government grants	**50**	18,097
Decrease in short-term advances to Daye Nonferrous Metals Group Holding Co., Ltd ("Daye Group", an intermediate holding company of the Company)	**–**	5,565
NET CASH USED IN INVESTING ACTIVITIES	**(1,426,535)**	(827,709)
FINANCING ACTIVITIES		
Proceeds from new bank borrowings	**8,361,931**	6,937,778
Advance from Nonferrous Mining Group Finance Co., Ltd ("Finance Company", a fellow subsidiary of the Company)	**1,750,000**	240,000
Proceeds from gold loans	**1,221,279**	1,277,442
Capital injection from non-controlling shareholders of subsidiaries	**340,000**	299,600
Advance from Daye Group	**191,318**	220,142
Contribution from shareholders	**10,000**	–
Advance from a fellow subsidiary	**–**	442,247
Advance from a joint venture	**–**	8
Repayments of bank borrowings	**(7,060,690)**	(9,065,117)
Repayments to Finance Company	**(1,750,000)**	(268,000)
Repayments of gold loans	**(1,410,218)**	(1,667,518)
Finance costs paid	**(255,035)**	(313,015)
Repayments to Daye Group	**(89,900)**	(10,964)
Repayments to a fellow subsidiary	**(24,001)**	(412,200)
Repayments to a joint venture	**(8,613)**	(4,140)
Repayments of other loans	**(1,000)**	(1,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**1,275,071**	(2,324,737)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**432,916**	(1,131,985)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**374,735**	1,501,884
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	**7,151**	4,836
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by cash, deposits and bank balances	**814,802**	374,735

1. GENERAL

China Daye Non-Ferrous Metals Mining Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company is principally engaged in investment holding. The Company's subsidiaries are principally involved in mining and processing of mineral ores and selling/trading of metal products. In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is China Times Development Limited ("China Times") (incorporated in the British Virgin Islands) and China Nonferrous Metal Mining (Group) Co., Ltd., a state-owned enterprise established in the PRC, respectively.

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

As at 31 December 2021, the Group had cash, deposits and bank balances, current portion of bank and other borrowings and promissory note of approximately RMB814,802,000, RMB2,999,443,000 and RMB1,095,852,000 respectively. Based on the estimation of the future cash flows of the Group, after taking into account of (i) the unutilised bank facilities of not less than RMB17,655,898,000; (ii) bank borrowings of RMB1,345,224,000 subsequently raised which fall due after 31 December 2022 and (iii) the extension of maturity date of promissory note to 7 March 2027, the directors are of the opinion that the Group will have sufficient working capital to finance its normal operation for the twelve months from the end of the reporting period of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 January 2021:

Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*

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

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	*Insurance Contracts and related Amendments*[3]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to HKAS 8	*Definition of Accounting Estimates*[3]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds Before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018 – 2020 Cycle*[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

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

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

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

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

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

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

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group's liabilities.

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with HKAS 2 Inventories.

The amendments also clarify the meaning of "testing whether an asset is functioning properly". HKAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of profit or loss and other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of profit or loss and other comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies (Continued)

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments to HKAS 8 introduce the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB129,729,000 and RMB137,855,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures

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

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

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

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the joint venture's losses (if any), the Group determines whether there is an objective evidence that the net investment in a joint venture is impaired. Goodwill that forms part of the carrying amount of the net investment in an joint venture is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

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

Revenue recognition

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract liabilities

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

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

Revenue from copper processing is recognised over time.

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

Principal versus agent

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

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

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

Existence of significant financing component

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Definition of a lease

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

The Group as lessee

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

Lease liabilities

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

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

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

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

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

Right-of-use assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Right-of-use assets (Continued)

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

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

The Group as lessor

The Group enters into lease agreements as a lessor with respect to certain machinery and land use right. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Sale and leaseback transactions

The Group acts as a seller-lessee

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

Employee benefits

Short-term employee benefits

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

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

Pension obligation

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

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

Early retirement obligations

Early retirement are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises early retirement obligation when the Group can no longer withdrew the offer of the early retirement. The early retirement is offered for a clearly defined period and once the termination plan is confirmed by the employee and the Group, there is no possibility of new participant. Benefits falling due more than 12 months after the end of reporting period are discounted to present value using the projected unit credit actuarial valuation method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Other social insurance and housing funds

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

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

Property, plant and equipment

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

Construction in progress includes property, plant and equipment in the course of construction for production. Construction in progress is carried at cost less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Exploration and evaluation expenditures

The Group capitalises only expenditures directly attributable to exploration and evaluation activities, including acquisition of exploration rights, topographical and geological studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource during exploration and evaluation phase related to a specific area of interest to the extent that the Group's right to tenure of the area of interest is current.

These capitalised expenditures are stated at cost less impairment and are presented within non-current assets as "Exploration and evaluation assets" on the consolidated statement of financial position. All other exploration and evaluation expenditures are charged to profit or loss as incurred.

A "feasibility study" consists of a comprehensive study of the viability of a mineral project that has advanced to a phase where the mining method has established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering and operating economic factors, and the evaluation of other relevant factors. The feasibility study allows the Group to conclude whether it is demonstrable that it will obtain future economic benefits from the expenditures.

Once the final feasibility study has been completed and a development decision has been taken, accumulated capitalised exploration and evaluation expenditures in respect of an area of interest are transferred to non-current assets as mining rights under "Intangible assets". In circumstances when an area of interest is abandoned or management decides it is not commercially viable, any accumulated costs in respect of that area are written off in the period the decision is made.

Capitalised exploration and evaluation expenditures are assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation expenditure may exceed its recoverable amount. Once a development decision has been taken, the capitalised expenditures are also assessed for impairment before reclassification. An impairment test is also performed if any of the following indicators are present (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

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

Research costs

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

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Inventories

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

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

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

Cash and cash equivalents

Cash, deposits and bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, deposits and bank balances as defined above.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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

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

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

Financial assets at amortised cost (debt instruments)

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(i) Amortised cost and effective interest method

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

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

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically, debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gain and losses" line item. Fair value is determined in the manner described in note 40(c).

Impairment loss of financial assets

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

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

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

Significant increase in credit risk

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss of financial assets (Continued)

Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

Definition of default

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss of financial assets (Continued)

Credit-impaired financial assets

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

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

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee or a designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

Embedded derivatives

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

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

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.

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

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

Provision for mine rehabilitation, restoration and dismantling

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or production facilities. These costs discounted to net present value are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to profit or loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in profit or loss.

Costs for restoration of subsequent site damage are provided for at their net present values and charged to profit or loss as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Fair value measurement

When measuring fair value except for the Group's leasing transaction, net realisable value of inventories and value in use of property, plant and equipment, right-of-use assets and mining rights attributable to a copper mine, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment, right-of-use assets and mining rights

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

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the fair value less costs of disposal or the value in use, i.e. the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong.

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

In prior years, management of the Group conducted impairment testing for the non-current assets attributable to a copper mine held by Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("Hui Xiang"), a subsidiary of the Group. An aggregate impairment of RMB483,362,000 was made for these assets to reduce the carrying amount of the cash-generating unit (the "CGU") to its recoverable amount based on a value-in-use calculation. Further details are set out in note 16. In determining whether there is indication that the CGU has suffered a further impairment loss or the event previously causing the impairment no longer exists in the current year, the management of the Group has to exercise judgement and make estimation. Based on the management's estimation of the recoverable amount of the CGU as at 31 December 2021, no further impairment loss or reversal of impairment loss is recognised in the current year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Mine rehabilitation, restoration and dismantling obligations

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

These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions. As at 31 December 2021, the carrying amount of provision for rehabilitation, restoration and dismantling was approximately RMB54,344,000 (2020: RMB52,816,000).

Allowance for inventories

Management reviews the net realisable values of inventories at the end of the reporting period based on the estimated selling prices in the ordinary course of business less the estimated costs of completion and the estimated selling expenses and related taxes to determine the allowance for inventories. Management may take reference to the available price in the open market or the most recent or subsequent selling price if the open market information is not available. These estimates could change significantly as a result of change in market demand of products or technical innovation and impact the expectation of net realisable value and allowance for inventories required. As at 31 December 2021, the carrying amount of inventories was approximately RMB5,825,229,000 (2020: RMB4,549,585,000).

Provision for expected credit losses on trade receivables

Provision for impairment of trade receivables is made based on an assessment of expected credit losses on trade receivables. The assessment of expected credit losses requires management's judgement and estimates. Trade receivables are assessed individually for impairment allowance. The expected credit loss rates are determined based on historical credit loss experience of receivables with similar credit risk characteristics and adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. As at 31 December 2021, the carrying amount of trade receivables was approximately RMB82,787,000 (2020: RMB169,340,000) and the provision for expected credit losses on trade receivables was approximately RMB76,255,000 (2020: RMB50,570,000).

Income taxes

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective estimation involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related depreciation rate of mining infrastructure and property. The carrying amount of mining infrastructure and property and the related depreciation is detailed in note 16.

Depreciation for mining-related assets

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

Fair value of derivative financial instruments

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

Retirement benefit obligations

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

5. REVENUE

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major services lines		
Sales of goods	**35,642,388**	29,341,450
Rendering of services	**35,268**	46,112
	35,677,656	29,387,562

Disaggregation of revenue by timing of recognition

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
At a point in time	**35,642,388**	29,341,450
Over time	**35,268**	46,112
Total revenue from contracts with customers	**35,677,656**	29,387,562

Performance obligations for contracts with customers

The performance obligations for contracts with customers include sales of non-ferrous metals and other materials or provision of processing service directly to customers. The majority of sales are made under contractual arrangements whereby a significant portion of transaction price of each sale is received before delivery or promptly after delivery. The advance payments received from customers are recorded as contract liabilities until the control of the goods is transferred to the customers.

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

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

6. SEGMENT INFORMATION

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

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

	2021 **RMB'000**	2020 RMB'000
Sales of goods:		
Copper cathodes	**27,900,873**	21,818,063
Other copper products	**1,527,289**	494,296
Gold and other gold products	**1,671,004**	2,323,675
Silver and other silver products	**3,657,798**	4,202,676
Sulphuric acid and sulphuric concentrate	**451,792**	66,045
Iron ores	**133,716**	165,013
Others	**299,916**	271,682
	35,642,388	29,341,450
Rendering of services:		
Copper processing	**20,322**	27,992
Others	**14,946**	18,120
	35,268	46,112
Total revenue	**35,677,656**	29,387,562

6. SEGMENT INFORMATION (Continued)

Geographical information

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

	Non-current assets	
	2021	2020
	RMB'000	RMB'000
PRC	**9,392,617**	8,386,948
Hong Kong	**65**	151
Mongolia	**14**	37
	9,392,696	8,387,136

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

	2021	2020
	RMB'000	RMB'000
PRC	**35,189,803**	28,443,624
Hong Kong	**23,644**	289,278
Others	**464,209**	654,660
	35,677,656	29,387,562

Information about major customers

During the years ended 31 December 2021 and 2020, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

7. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income from banks	**21,615**	14,451
Interest income from Finance Company	**9,265**	14,815
Government grants (note)	**3,106**	15,226
Deferred income recognised (note 36)	**23,111**	25,188
Others	**9,375**	9,678
	66,472	79,358

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

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	2021 RMB'000	2020 RMB'000
Impairment losses, net, on:		
Trade receivables – goods and services	**25,685**	39,865
Loans to and amounts due from a joint venture	**24,609**	2,554
Other receivables	**69**	6,802
	50,363	49,221

9. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
(Loss) gain on disposal of property, plant and equipment, net	**(4,666)**	6,644
Gain on disposal of right-of-use assets	**9,703**	–
Write-off of property, plant and equipment	**(76,524)**	(33,062)
Fair value changes from:		
Commodity derivatives contracts	**–**	911
Currency forward contracts	**–**	(224)
Currency exchange swap contracts	**2,382**	(7,402)
Currency option contracts	**–**	9,490
Gold forward contracts	**(59,210)**	(128,216)
Gold loans designated as financial liabilities at FVTPL	**59,218**	147,933
Exchange gains, net	**31,294**	49,134
Impairment loss of property, plant and equipment (note 16)	**(1,162)**	(11,374)
	(38,965)	33,834

10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank and other borrowings	**241,668**	257,161
Interest on loans from Daye Group	**18,344**	23,684
Interest on loans from Finance Company	**14,063**	12,105
Interest on loans from a fellow subsidiary	**376**	431
Interest on amount due to a fellow subsidiary	**–**	1,677
Interest on lease liabilities	**6,986**	7,206
Interest on promissory note (note 35)	**42,349**	42,464
Unwind interest of provision for mine rehabilitation, restoration and dismantling (note 34)	**1,528**	1,484
Unwind interest of early retirement obligations (note 37)	**2,690**	3,950
Total finance costs	**328,004**	350,162
Less: Borrowing costs capitalised in the cost of qualifying assets (note 16)	**(13,638)**	(13,406)
	314,366	336,756

Borrowing costs capitalised during the year ended 31 December 2020 arose on the general borrowing pool and were calculated by applying a weighted average capitalisation rate of 3.48% (2021: nil) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSES

	2021 RMB'000	2020 RMB'000
Hong Kong Profits Tax		
– current year	**295**	1,695
PRC Enterprise Income Tax		
– current year	**140,516**	2,905
– under-provision in prior years	**2,756**	5,173
Deferred tax (note 21)	**(8,625)**	19,311
	134,942	29,084

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group was 25% for both years.

Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

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

11. INCOME TAX EXPENSES (Continued)

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

	2021 RMB'000	2020 RMB'000
Profit before tax	**471,518**	330,720
Tax at the applicable income tax rate at 25% (2020: 25%) (note)	**117,880**	82,680
Tax effect of expenses not deductible for tax purpose	**22,234**	21,981
Tax effect of tax losses not recognised	**785**	–
Utilisation of tax losses previously not recognised	**(252)**	(59,869)
Utilisation of deductible temporary differences previously not recognised	**–**	(12,683)
Tax effect of tax concession of research and development costs	**(912)**	(1,228)
Reversal of deferred tax assets	**55**	447
Additional deduction of environment friendly equipments	**(484)**	(1,207)
Under-provision in respect of prior year	**2,756**	5,173
Effect of different tax rates of subsidiaries operating in other jurisdictions and concessionary rate	**(3,092)**	2,658
Others	**(4,028)**	(8,868)
Income tax expenses for the year	**134,942**	29,084

Note: The domestic tax rate (which is EIT rate) in the jurisdiction where the operation of the Group is substantially based is used. During the year ended 31 December 2021, one (2020: one) of the PRC subsidiaries of the Group was recognised as high new technology enterprises and entitled to a preferential tax rate of 15%.

According to the PRC income tax law and its relevant regulations issued in 2019, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income range from RMB1,000,000 to RMB3,000,000). During the year ended 31 December 2021, one (2020: one) of the PRC subsidiaries of the Group was qualified as small and low profit enterprise and entitled to the preferential income tax rate of 5%.

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment (note i)	**615,824**	627,492
Depreciation of right-of-use assets (note i)	**32,626**	30,976
Amortisation of intangible assets (note i)	**62,042**	60,718
	710,492	719,186
Auditor's remuneration	**1,887**	1,887
Employee benefits expense (including directors' remuneration as disclosed in note 13) (note (ii)):		
Salaries, wages and welfare	**651,778**	552,889
Retirement benefits scheme contributions	**127,442**	77,959
Total staff costs	**779,220**	630,848
Cost of sales and services rendered:		
Cost of inventories recognised as an expense (note (iii))	**34,377,352**	28,350,710
Direct operating expense arising from services provided	**29,756**	36,190
	34,407,108	28,386,900
Research and development costs (note iv)	**16,873**	12,378

Notes:

(i) During the year, depreciation of property, plant and equipment of approximately RMB596,782,000 (2020: RMB609,142,000), and depreciation of right-of-use assets and amortisation of intangible assets and totaling approximately RMB59,987,000 (2020: RMB48,376,000) was capitalised to inventories.

(ii) During the year, employee benefits expense of approximately RMB598,700,000 (2020: RMB524,423,000) were capitalised to inventories.

(iii) During the year ended 31 December 2021, a write-down of raw material (2020: reversal of write-down of raw material) of approximately RMB2,784,000 (2020: RMB22,478,000) has been recognised and included in cost of inventories.

(iv) Included in research and development costs were staff costs of approximately RMB3,589,000 (2020: RMB4,016,000) which has been included in staff costs disclosure above and cost of materials.

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

Directors and Chief Executive Officer

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

		Other emoluments			
	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Bonus RMB'000	Total RMB'000
2021					
Executive Directors					
Mr. Wang Yan (note (i))	**–**	**951**	**55**	**–**	**1,006**
Mr. Xiao Shuxin (note (ii))	**–**	**385**	**41**	**–**	**426**
Mr. Long Zhong Sheng (note (iv))	**877**	**211**	**37**	**–**	**1,125**
Mr. Chen Zhimiao	**–**	**760**	**37**	**–**	**797**
Mr. Yu Liming (note (iii))	**–**	**358**	**6**	**–**	**364**
Independent Non-executive Directors					
Mr. Wang Guoqi	**82**	**–**	**–**	**–**	**82**
Mr. Wang Qihong	**82**	**–**	**–**	**–**	**82**
Mr. Liu Jishun	**82**	**–**	**–**	**–**	**82**
	1,123	**2,665**	**176**	**–**	**3,964**
2020					
Executive Directors					
Mr. Wang Yan (note (i))	–	1,043	4	–	1,047
Mr. Long Zhong Sheng (note (iv))	938	228	21	–	1,187
Mr. Chen Zhimiao	–	718	21	–	739
Mr. Yu Liming (note (iii))	–	838	21	–	859
Independent Non-executive Directors					
Mr. Wang Guoqi	84	–	–	–	84
Mr. Wang Qihong	84	–	–	–	84
Mr. Liu Jishun	84	–	–	–	84
	1,190	2,827	67	–	4,084

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

Directors and Chief Executive Officer (Continued)

Notes:

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

(ii) Mr. Xiao Shuxin has been appointed as executive director on 15 July 2021 and chairman of the board of directors on 28 January 2022.

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

(iv) Mr. Long Zhong Sheng is the Chief Executive Officer of the Company in both 2021 and 2020 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

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

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

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

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

Employees

Of the five individuals with the highest emoluments in the Group, three (2020: four) were directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2020: one) individuals are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries and other allowances	**1,429**	833
Retirement benefit scheme contributions	**74**	38
	1,503	871

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

Employees (Continued)

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

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**2**	1

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

14. DIVIDEND

No dividend was paid or proposed for shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

15. EARNINGS PER SHARE

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

Earnings

	2021 **RMB'000**	2020 RMB'000
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**286,436**	306,415

Number of shares

	2021 **'000**	2020 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**17,895,580**	17,895,580

The computation of diluted earnings per share for both years did not assume the conversion of the promissory note (note 35) as the issue price is determined by reference to the market price of the shares of the Company.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining infrastructure and property RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Electricity equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2020	5,722,392	2,908,793	3,654,080	157,636	48,324	489,330	12,980,555
Additions	94,109	2,765	1,986	2,398	1,894	222,694	325,846
Interest capitalised (note 10)	–	–	–	–	–	13,406	13,406
Reclassification	122,130	319,385	1,082	–	822	(443,419)	–
Disposals	(2,633)	–	–	(11,404)	(10)	–	(14,047)
Write-off	(157,305)	–	(412,831)	(18,171)	(601)	–	(588,908)
At 31 December 2020 and 1 January 2021	5,778,693	3,230,943	3,244,317	130,459	50,429	282,011	12,716,852
Additions	–	(4,990)	12,171	1,413	1,446	1,621,575	1,631,615
Interest capitalised (note 10)	–	–	–	–	–	13,638	13,638
Reclassification	26,149	40,804	2,955	–	–	(69,908)	–
Disposals	(5,757)	–	(879)	(2,335)	–	–	(8,971)
Write-off	(173,930)	(27,004)	(125,561)	(4,491)	(774)	–	(331,760)
At 31 December 2021	5,625,155	3,239,753	3,133,003	125,046	51,101	1,847,316	14,021,374
ACCUMULATED DEPRECIATION							
At 1 January 2020	(2,216,562)	(1,117,131)	(2,359,575)	(116,554)	(36,236)	–	(5,846,058)
Provided for the year	(270,060)	(164,986)	(179,607)	(9,826)	(3,013)	–	(627,492)
Eliminated on disposals	693	–	–	10,591	10	–	11,294
Eliminated on write-off	144,588	–	380,709	16,945	572	–	542,814
At 31 December 2020 and 1 January 2021	(2,341,341)	(1,282,117)	(2,158,473)	(98,844)	(38,667)	–	(5,919,442)
Provided for the year	(226,051)	(213,158)	(165,404)	(8,257)	(2,954)	–	(615,824)
Eliminated on disposals	1,071	–	453	2,219	–	–	3,743
Eliminated on write-off	111,872	19,740	107,279	4,293	716	–	243,900
At 31 December 2021	(2,454,449)	(1,475,535)	(2,216,145)	(100,589)	(40,905)	–	(6,287,623)
ACCUMULATED IMPAIRMENT							
At 1 January 2020	(180,179)	(94,960)	(51,046)	(286)	(3,033)	(15,037)	(344,541)
Impairment loss recognised in profit or loss	–	–	–	–	–	(11,374)	(11,374)
Eliminated on disposals	–	–	–	169	–	–	169
Eliminated on write-off	–	–	12,994	38	–	–	13,032
At 31 December 2020 and 1 January 2021	(180,179)	(94,960)	(38,052)	(79)	(3,033)	(26,411)	(342,714)
Impairment loss recognised in profit or loss	–	–	(591)	–	–	(571)	(1,162)
Eliminated on write-off	8,063	–	3,211	62	–	–	11,336
At 31 December 2021	(172,116)	(94,960)	(35,432)	(17)	(3,033)	(26,982)	(332,540)
CARRYING VALUES							
At 31 December 2021	2,998,590	1,669,258	881,426	24,440	7,163	1,820,334	7,401,211
At 31 December 2020	3,257,173	1,853,866	1,047,792	31,536	8,729	255,600	6,454,696

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment assessment

(a) In prior years, in view of the existence of impairment indications, management of the Group conducted impairment testing for the non-current assets, including property, plant and equipment, leasehold lands and mining rights, attributable to a copper mine held by Hui Xiang, a subsidiary of the Group, and impairment attributed to property, plant and equipment, right-of-use assets and intangible assets which amounted to RMB292,125,000, RMB982,000 and RMB190,255,000 respectively, was made for these assets to reduce the carrying amount of the CGU to its recoverable amount based on a value-in-use calculation. The aggregate net carrying amount of these assets as at 31 December 2021 is approximately RMB957,054,000 (2020: RMB886,397,000).

The cash flow projection is based on financial budget approved by the management covering the expected useful life of relevant assets. The cash flow projection is discounted at pre-tax discount rate of 15.0% (2020: 16.5%) per annum which reflects the specific risks relating to this CGU. Key assumptions for the value-in-use calculation include future revenue, budgeted gross margin and operating cost, which were determined based on the CGU's past performance, the Group's business plans and management expectations for the market development.

During the years ended 31 December 2021 and 2020, management of the Group determines that there is no further impairment loss or reversal of impairment loss based on a value-in-use calculation reviewed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuer not connected with the Group.

(b) During the year ended 31 December 2021, the Group recognised an impairment loss of approximately RMB591,000 (2020: nil) and RMB571,000 (2020: RMB11,374,000) in relation to plant and machinery and construction in progress respectively. The directors of the Company considered that the plant and machinery was in idle capacity and the construction works in respect of certain equipment was no longer necessary for the Group's operation so that the recoverable amount is insignificant as at 31 December 2021.

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000
As at 1 January 2020	824,883
Additions	133,513
Released to profit or loss	(30,976)
As at 31 December 2020 and 1 January 2021	927,420
Additions	60,084
Disposals	(2,322)
Released to profit or loss	(32,626)
As at 31 December 2021	952,556

Right-of-use assets of approximately RMB952,556,000 (2020: RMB927,420,000) represents land use rights located in the PRC.

During the year, expense relating to short-term leases with lease terms end within 12 months and leases of low-value assets amounted to approximately RMB10,283,000 (2020: RMB2,040,000). The total cash outflow for leases during the year amounted to approximately RMB70,367,000 (2020: RMB135,553,000).

The remaining lease periods of the existing leases range from 17 to 58 years.

18. EXPLORATION AND EVALUATION ASSETS

	RMB'000
As at 1 January 2020	8,074
Additions	3,872
As at 31 December 2020 and 1 January 2021	11,946
Additions	8,558
Transfer to mining right (Note 19)	(15,325)
As at 31 December 2021	5,179

The exploration and evaluation expenditures of the Group mainly represented the capitalised costs incurred during the evaluation phase for the exploratory drilling and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resource with respect to the mines located in Hubei Province and Xinjiang Uygur Autonomous Region in the PRC.

19. INTANGIBLE ASSETS

	Mining rights RMB'000	Others RMB'000	Total RMB'000
COST			
At 1 January, 31 December 2020 and 1 January 2021	1,267,227	17,424	1,284,651
Additions	162,004	2,058	164,062
Transfer from exploration and evaluation assets (Note 18)	15,325	–	15,325
At 31 December 2021	1,444,556	19,482	1,464,038
ACCUMULATED AMORTISATION AND IMPAIRMENT (note)			
At 1 January 2020	610,935	14,203	625,138
Provided for the year	59,373	1,345	60,718
At 31 December 2020 and 1 January 2021	670,308	15,548	685,856
Provided for the year	60,803	1,239	62,042
At 31 December 2021	731,111	16,787	747,898
CARRYING VALUES			
At 31 December 2021	713,445	2,695	716,140
At 31 December 2020	596,919	1,876	598,795

Note: In prior years, the Group recognised losses on impairment of mining rights of RMB190,255,000 in relation to certain of the Group's copper mines. Refer to note 16 for details.

20. INVESTMENTS IN JOINT VENTURES

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

	2021 RMB'000	2020 RMB'000
Cost of unlisted equity investments, at cost	**64,702**	64,702
Share of post-acquisition results and other comprehensive expense, net of dividends received	**(64,702)**	(64,702)
	–	–

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

	2021 RMB'000	2020 RMB'000
Accumulated unrecognised share of loss:		
At 1 January	**85,651**	93,161
Unrecognised share of loss for the year	**89**	1,113
Adjustments upon deregistration of joint ventures during the year	**–**	(8,623)
	85,740	85,651

21. DEFERRED TAX

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

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**60,638**	52,013
Deferred tax liabilities	**–**	–
	60,638	52,013

21. DEFERRED TAX (Continued)

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

Deferred tax assets

	Accrued expenses RMB'000	Provision for mine rehabilitation, restoration and dismantling RMB'000	Early retirement obligations RMB'000	Impairment losses RMB'000	Write-down of inventories RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	17,366	11,678	35	60,404	10,797	137	2,605	103,022
(Charged) credited to profit or loss	(10,737)	862	(6)	590	(5,637)	(129)	285	(14,772)
At 31 December 2020 and 1 January 2021	6,629	12,540	29	60,994	5,160	8	2,890	88,250
Credited (charged) to profit or loss	3,936	496	(6)	3,564	696	–	(609)	8,077
At 31 December 2021	10,565	13,036	23	64,558	5,856	8	2,281	96,327

Deferred tax liabilities

	Accelerated depreciation RMB'000	Mining rights RMB'000	Total RMB'000
At 1 January 2020	–	(31,698)	(31,698)
(Charged) credited to profit or loss	(7,158)	2,619	(4,539)
At 31 December 2020 and 1 January 2021	(7,158)	(29,079)	(36,237)
Credited to profit or loss	–	548	548
At 31 December 2021	(7,158)	(28,531)	(35,689)

As at 31 December 2021, the PRC subsidiaries of the Group had unrecognised tax losses of approximately RMB10,060,000 (2020: RMB45,426,000), which will be expired on 31 December 2026, and unrecognised deductible temporary differences of approximately RMB111,750,000 (2020: RMB111,750,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated undistributable profits of the PRC subsidiaries amounting to approximately RMB1,209,656,000 as at 31 December 2021 (2020: RMB922,660,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**1,230,374**	1,129,560
Work in progress	**1,671,096**	1,167,439
Finished goods	**112,503**	367,991
Goods in transit	**2,811,256**	1,884,595
	5,825,229	4,549,585

23. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**159,042**	219,910
Less: Allowance for credit losses	**(76,255)**	(50,570)
	82,787	169,340
Bills receivables:		
On hand	**660**	31,016
Endorsed to suppliers (note 41)	**–**	820
	660	31,836
Total trade and bills receivables	**83,447**	201,176

As at 31 December 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB159,042,000 (2020: RMB219,910,000).

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

As at 31 December 2021 and 2020, no bills receivables are discounted to banks due to improvement in debt collection.

23. TRADE AND BILLS RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised, net of allowance for credit losses.

	2021 RMB'000	2020 RMB'000
Within 1 year	**75,814**	156,355
More than 1 year, but less than 2 years	**521**	8,281
More than 2 years, but less than 3 years	**5,158**	4,703
Over 3 years	**1,294**	1
	82,787	169,340

Details of impairment assessment of trade receivables for the years ended 31 December 2021 and 2020 are set out in note 40(b).

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

	2021 RMB'000	2020 RMB'000
Trade receivables:		
Fellow subsidiaries	**42,016**	43,496

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

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

	2021 RMB'000	2020 RMB'000
Denominated in United States dollar ("US$")	**41,551**	42,053

24. OTHER DEPOSITS

	2021 RMB'000	2020 RMB'000
Classified under non-current assets:		
Deposits for acquisition of property, plant and equipment and intangible assets	**307,741**	372,499
Deposits for environment rehabilitation (note (a))	**1,948**	13,974
Deposits for land restoration (note (b))	**7,921**	7,806
	317,610	394,279
Classified under current assets:		
Margin deposits (note (c))	**299,096**	167,937

Notes:

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

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

(c) The balances represent deposits in margin accounts held in Shanghai Futures Exchange and certain financial institutions as security for commodities derivative instruments (note 26).

25. PREPAYMENTS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Prepayments for inventories (note (a))	**81,366**	339,022
Value-added tax recoverable	**95,753**	9,826
Short-term advances to Daye Group (note (b))	**63**	63
Loans to a joint venture (note (c))	**108,085**	116,245
Amounts due from joint ventures (note (d))	**10,669**	10,925
Amounts due from fellow subsidiaries (note (d))	**1,299**	20
Receivables from brokers	**10,860**	4,274
Other receivables	**55,279**	48,329
	363,374	528,704
Less: Allowance for credit losses on other receivables	**(150,929)**	(126,251)
	212,445	402,453

Notes:

(a) Included in the Group's prepayments for inventories as at 31 December 2020, prepayments to Daye Group was RMB299,248,000 (2021: nil).

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

(c) The loans to a joint venture are unsecured and carry fixed interest rate ranging from 4.35% to 4.60% (2020: 4.35% to 4.60%) per annum and overdue and credit-impaired as at 31 December 2020.

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

Details of impairment assessment of other receivables for the years ended 31 December 2021 and 2020 are set out in note 40(b).

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Current assets		Current liabilities	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Copper futures contracts	**22,236**	77,146	**20,066**	64,927
Gold futures contracts	**2,183**	5,439	**6**	3,479
Gold forward contracts	**4,076**	73,059	**19,038**	28,811
Silver futures contracts	**18,064**	19,520	**4,708**	12,743
Currency option contracts	**–**	–	**–**	2,382
	46,559	175,164	**43,818**	112,342

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

	At 31 December			
	2021		2020	
	Quantity	**Contract price (RMB)**	Quantity	Contract price (RMB)
Copper futures contracts (tonnes)				
Buy	**29,665**	**60,976 to 69,905**	30,120	46,515 to 58,516
Sell	**17,850**	**60,815 to 69,750**	15,500	46,032 to 57,378
Gold futures contracts (kg)				
Buy	**19**	**373,620**	817	390,963
Sell	**498**	**377,846 to 383,237**	523	376,953 to 396,904
Gold forward contracts (kg)				
Buy	**2,950**	**370,160 to 390,150**	3,350	350,990 to 434,500
Silver futures contracts (kg)				
Buy	**129,375**	**4,757 to 4,923**	37,845	5,145
Sell	**39,100**	**4,686 to 5,089**	88,440	5,440

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Major terms of the currency option contracts are as follows:

Nominal amount	Exchange rates
At 31 December 2020	
Buy US$8,000,000	US$1: RMB6.8585
Sell US$8,000,000	US$1: RMB6.8585

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

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

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

	Gross amounts of recognised financial assets At 31 December		Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position At 31 December		Net amounts of financial assets presented in the consolidated statement of financial position At 31 December	
	2021	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Deposits in futures margin accounts (note 24)	**299,096**	167,937	**–**	–	**299,096**	167,937
Derivatives in respect of:						
Copper futures contracts	**22,236**	77,146	**–**	–	**22,236**	77,146
Gold futures contracts	**2,183**	5,439	**–**	–	**2,183**	5,439
Gold forward contracts	**4,076**	73,059	**–**	–	**4,076**	73,059
Silver futures contracts	**18,064**	19,520	**–**	–	**18,064**	19,520
Total	**345,655**	343,101	**–**	–	**345,655**	343,101

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

	Net amounts of financial assets presented in the consolidated statement of financial position At 31 December		Related amounts not set off in the consolidated statement of financial position: Derivative financial liabilities At 31 December		Related amounts not set off in the consolidated statement of financial position: Cash collateral received At 31 December		Net amount At 31 December	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Counterparty A	**317,149**	189,428	**(6,630)**	(19,302)	**–**	–	**310,519**	170,126
Counterparty B	**1,876**	25,786	**–**	–	**–**	–	**1,876**	25,786
Counterparty C	**2,201**	46,431	**(2,201)**	(24,158)	**–**	–	**–**	22,273
Counterparty D	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty E	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty F	**–**	842	**–**	(842)	**–**	–	**–**	–
Counterparty G	**8**	8	**–**	–	**–**	–	**8**	8
Counterparty H	**12,391**	32,454	**(8,922)**	(37)	**–**	–	**3,469**	32,417
Counterparty I	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty J	**6,058**	27,510	**(4,894)**	(27,510)	**–**	–	**1,164**	–
Counterparty K	**5,952**	16,622	**(4,334)**	(858)	**–**	–	**1,618**	15,764
Counterparty L	**–**	4,000	**–**	–	**–**	–	**–**	4,000
Others	**20**	20	**–**	–	**–**	–	**20**	20
	345,655	343,101	**(26,981)**	(72,707)	**–**	–	**318,674**	270,394

26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

	Gross amounts of recognised financial liabilities At 31 December		Gross amounts of recognised financial assets set off in the consolidated statement of financial position At 31 December		Net amounts of financial liabilities presented in the consolidated statement of financial position At 31 December	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Derivatives in respect of:						
Copper futures contracts	**20,066**	64,927	**–**	–	**20,066**	64,927
Silver futures contracts	**6**	12,743	**–**	–	**6**	12,743
Gold futures contracts	**19,038**	3,479	**–**	–	**19,038**	3,479
Gold forward contracts	**4,708**	28,811	**–**	–	**4,708**	28,811
Currency option contracts	**–**	2,382	**–**	–	**–**	2,382
Total	**43,818**	112,342	**–**	–	**43,818**	112,342

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

	Net amounts of financial liabilities presented in the consolidated statement of financial position At 31 December		Related amounts not set off in the consolidated statement of financial position: Derivative financial assets At 31 December		Related amounts not set off in the consolidated statement of financial position: Cash collateral received At 31 December		Net amount At 31 December	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Counterparty A	**6,630**	19,302	**–**	–	**(6,630)**	(19,302)	**–**	–
Counterparty B	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty C	**19,038**	24,158	**(2,201)**	(24,158)	**–**	–	**16,837**	–
Counterparty D	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty E	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty F	**–**	4,653	**–**	(842)	**–**	–	**–**	3,811
Counterparty G	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty H	**8,922**	37	**(8,922)**	(37)	**–**	–	**–**	–
Counterparty I	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty J	**4,894**	63,334	**(4,894)**	(27,510)	**–**	–	**–**	35,824
Counterparty K	**4,334**	858	**(4,334)**	(858)	**–**	–	**–**	–
	43,818	112,342	**(20,351)**	(53,405)	**(6,630)**	(19,302)	**16,837**	39,635

27. STRUCTURED BANK DEPOSITS

	2021 RMB'000	2020 RMB'000
Structured bank deposits	**400,000**	500,000

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

28. PLEGED DEPOSITS, AND CASH, DEPOSITS AND BANK BALANCES

Pledged deposits

	2021 RMB'000	2020 RMB'000
Deposits placed with bank		
Classified under current assets	**195**	–
Deposits placed with Finance Company		
Classified under current assets	**–**	46,049

Cash, deposits and bank balances

Included in cash, deposits and bank balances as at 31 December 2021 was approximately RMB789,393,000 (2020: RMB260,882,000) placed with Finance Company as saving deposits, which bear interest at rate ranging from 0.53% to 1.50% (2020: 0.53% to 1.50%) per annum and repayable on demand. The remaining bank balances carry interest at rates ranging from 0.35% to 1.38% (2020: 0.35% to 1.38%) per annum.

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

	2021 RMB'000	2020 RMB'000
Denominated in US$	**46,959**	78,529
Denominated in Hong Kong dollars	**5,610**	627
	52,569	79,156

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

29. TRADE PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	**1,812,904**	1,601,151

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

	2021 RMB'000	2020 RMB'000
Within 1 year	**1,781,586**	1,572,821
More than 1 year, but less than 2 years	**23,814**	17,906
More than 2 years, but less than 3 years	**1,685**	743
Over 3 years	**5,819**	9,681
	1,812,904	1,601,151

Included in the Group's trade payables are payables to fellow subsidiaries of approximately RMB72,296,000 (2020: RMB33,817,000). The payables to fellow subsidiaries are unsecured, interest-free and are repayable within one year according to respective purchase contracts.

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

	2021 RMB'000	2020 RMB'000
Denominated in US$	**1,479,998**	1,308,419

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

30. OTHER PAYABLES AND ACCRUED EXPENSES

	2021 RMB'000	2020 RMB'000
Classified under current liabilities:		
Salaries and welfare payables	**93,657**	71,018
Current portion of deferred income (note 36)	**20,613**	24,004
Payables for purchase of property, plant and equipment (note (a))	**243,972**	288,846
Amounts due to Daye Group (note (b))	**29,000**	29,000
Amounts due to joint ventures (note (b))	**2,299**	10,912
Land restoration costs payable to a fellow subsidiary	**67,940**	67,940
Payables for mining rights	**17,159**	–
Value-added tax payables	**143,386**	198,689
Other payables and accruals	**62,929**	96,638
Other deposits received	**36,724**	36,663
	717,679	823,710
Balances repayable after one year and classified under non-current liabilities:		
Payables for purchase of property, plant and equipment (note (a))	**276,333**	276,333
Payables for mining rights	**114,485**	–
	390,818	276,333

Notes:

(a) Included in payables for purchase of property, plant and equipment are payables to fellow subsidiaries of approximately RMB412,843,000 (2020: RMB340,244,000) in relation to the construction work conducted by these fellow subsidiaries. All of the payables to fellow subsidiaries are interest-free, unsecured and repayable in accordance with the terms of the relevant construction contracts.

(b) The amounts due to Daye Group and joint ventures are unsecured, interest-free and repayable on demand.

31. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities in respect of sales of goods at 31 December	**231,703**	44,806
Revenue recognised during the year in respect of sales of goods that was included in the contract liabilities at the beginning of year	**40,602**	40,477

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

The significant changes in contract liabilities in 2021 were mainly due to deposit received from new customers in relation to the sales of goods at the end of the year.

32. BANK AND OTHER BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank borrowings:		
Unsecured	**5,774,011**	4,477,042
Other borrowings:		
Loans from Daye Group, unsecured (note (a))	**512,386**	402,800
Loans from Finance Company, unsecured (note (a))	**240,289**	240,296
Loans from a fellow subsidiary, unsecured (note (a))	**13,113**	36,828
Gold loans, unsecured (note (b))	**1,107,100**	1,332,984
Other loans, unsecured (note (c))	**504,702**	–
Other loans secured by deposits (note (c))	**–**	505,722
	8,151,601	6,995,672

	2021 RMB'000	2020 RMB'000
Bank borrowings carrying amounts repayable*:		
Within one year	**1,502,342**	2,354,263
More than one year, but not exceeding two years	**3,163,399**	206,927
More than two years, but not exceeding five years	**520,470**	1,915,852
More than five years	**587,800**	–
	5,774,011	4,477,042
Other borrowings carrying amounts repayable*:		
Within one year	**1,497,101**	1,359,328
More than one year, but not exceeding two years	**818,739**	850,552
More than two years, but not exceeding five years	**61,750**	308,750
	2,377,590	2,518,630
Less: Amounts due within one year shown under current liabilities	**(2,999,443)**	(3,713,591)
Amount shown under non-current liabilities	**5,152,158**	3,282,081

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

32. BANK AND OTHER BORROWINGS (Continued)

	2021 RMB'000	2020 RMB'000
Fixed-rate borrowings	**4,393,063**	3,696,172
Variable-rate borrowings	**3,758,538**	3,299,500
	8,151,601	6,995,672

	2021	2020
Effective interest rate: (per annum)		
Fixed-rate borrowings	**1.50% to 7.35%**	1.10% to 7.35%
Variable-rate borrowings*	**2.6% to 4.65%**	3.00% to 4.10%

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

Notes:

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

Interest rate	Terms of repayment	2021 RMB'000	2020 RMB'000
Daye Group			
Fixed rate:			
At 6.12% per annum	Repayable from 19 January 2022 to 22 May 2022 (2020: Repayable from 19 January 2022 to 22 May 2022)	**40,077**	90,231
4.75% per annum	Repayable on 29 August 2020	**1,767**	1,736
At 1.20% per annum	Repayable from 20 June 2021 to 24 December 2025	**–**	40,632
At 3.92% per annum	Repayable on 30 December 2023 (2020: Repayable on 1 January 2022)	**420,399**	220,058
At 6.00% per annum	Repayable on 23 August 2022	**50,143**	50,143
		512,386	402,800
Finance Company			
Fixed rate:			
At 3.85% per annum (2020: 4.00% per annum)	Repayable on 28 September 2021 to 27 September 2023 (2020: Repayable on 19 April 2021)	**150,160**	150,166
At 5.15% per annum	Repayable on 26 March 2022	**90,129**	90,130
		240,289	240,296
A fellow subsidiary			
Floating rate:			
At 3.92% per annum (2020: Three years interest rate quoted by PBOC)	Repayable on 1 January 2022	**11,773**	35,398
At 3.85% per annum	Repayable on 4 December 2020	**1,340**	1,430
		13,113	36,828

32. BANK AND OTHER BORROWINGS (Continued)

Notes: (continued)

(b) During the year, gain arising from change in fair value of gold loans designated as financial liabilities at FVTPL amounted to approximately RMB59,218,000 (2020: gains of RMB147,933,000). The above gains and losses have been charged to profit or loss. The gold loans bear interest ranging from 1.5% to 2.4% (2020: 1.1% to 2.1%) per annum and approximately RMB1,107,100,000 (2020: RMB1,332,984,000) of gold loans are repayable within one year.

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

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

The above other loan was secured by the Group's deposits placed with Finance Company of approximately RMB46,049,000 as at 31 December 2020 (note 28). During the year ended 31 December 2021, the deposits have been returned by the Finance Company and the loan becomes unsecured as at 31 December 2021. The effective interest rate of the other loan is 4.99% (2020: 4.99%) per annum.

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

	2021 RMB'000	2020 RMB'000
Denominated in US$	**1,291**	3,017

As at 31 December 2021, the Group had RMB14,703,970,000 (2020: RMB19,773,418,000) of available undrawn facilities.

As at 31 December 2021, the Group's banking borrowings with carrying amount of RMB1,995,944,000 (2020: RMB1,500,000,000) are subject to the fulfillment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 40(b). As at 31 December 2021 and 2020, none of the covenants relating to drawn down facilities had been breached.

33. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	**4,946**	4,715
Within a period of more than one year but not more than two years	**5,188**	4,946
Within a period of more than two years but not more than five years	**17,141**	16,341
Within a period of more than five years	**110,580**	116,568
	137,855	142,570
Less: Amount due for settlement with 12 months shown under current liabilities	**(4,946)**	(4,715)
Amount due for settlement after 12 months shown under non-current liabilities	**132,909**	137,855

33. LEASE LIABILITIES (Continued)

Restrictions or covenants on leases

As at 31 December 2021, lease liabilities of RMB137,855,000 are recognised with related right-of-use assets of RMB129,729,000 (2020: lease liabilities of RMB142,570,000 and related right-of-use assets of RMB136,936,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

34. PROVISION FOR MINE REHABILITATION, RESTORATION AND DISMANTLING

	RMB'000
As at 1 January 2020	51,332
Interest cost charged to profit or loss (note 10)	1,484
As at 31 December 2020 and 1 January 2021	52,816
Interest cost charged to profit or loss (note 10)	1,528
As at 31 December 2021	54,344

The provision for mine rehabilitation, restoration and dismantling includes the anticipated costs of future rehabilitation, restoration and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with plant closures, waste site closures, monitoring, demolition, decontamination, water purification, and permanent storage of historical residues. The discount rate using in determining this provision is 3% (2020: 3%) per annum.

35. PROMISSORY NOTE

	Principal amount RMB'000	Interest accrued RMB'000	Total RMB'000
At 1 January 2020	891,537	119,502	1,011,039
Interest charged to profit or loss (note 10)	–	42,464	42,464
At 31 December 2020 and 1 January 2021	891,537	161,966	1,053,503
Interest charged to profit or loss (note 10)	–	42,349	42,349
At 31 December 2021	891,537	204,315	1,095,852

A promissory note with a principal amount of RMB891,537,000 was issued to China Times on 7 March 2017 (the "Promissory Note"). The principal amount together with accrued interest of the Promissory Note shall be paid either in full or by installments no later than 6 March 2022 and have been further extended to 7 March 2027 on 4 March 2022. The interest payable under the Promissory Note shall accrue at the rate of 4.75% per annum on the outstanding principal amount.

35. PROMISSORY NOTE (Continued)

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

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

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

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

36. DEFERRED INCOME

	RMB'000
As at 1 January 2020	197,322
Government grants obtained	18,097
Credited to profit or loss (note 7)	(25,188)
As at 31 December 2020 and 1 January 2021	190,231
Government grants obtained	50
Credited to profit or loss (note 7)	(23,111)
As at 31 December 2021	167,170

	2021 **RMB'000**	2020 RMB'000
Analysed as:		
Current (note 30)	**20,613**	24,004
Non-current	**146,557**	166,227
	167,170	190,231

Deferred income represents grants obtained from the PRC government in relation to the construction and the purchase of certain plant and machinery by the Group.

37. EARLY RETIREMENT OBLIGATIONS

	RMB'000
As at 1 January 2020	162,710
Interest cost charged to profit or loss (note 10)	3,950
Actuarial losses recognised during the year	(21,050)
Benefits paid	(33,670)
As at 31 December 2020 and 1 January 2021	111,940
Interest cost charged to profit or loss (note 10)	2,690
Actuarial gains recognised during the year	(2,220)
Benefits paid	(28,470)
As at 31 December 2021	83,940

	2021 RMB'000	2020 RMB'000
Analysed as:		
Current	**21,530**	28,320
Non-current	**62,410**	83,620
	83,940	111,940

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

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

	2021 %	2020 %
Discount rate (per annum)	**2.50**	2.75
Expected annual salary incremental rate (per annum)	**10**	10

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

38. SHARE CAPITAL

Ordinary share capital of the Company

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	30,000,000,000	1,500,000
		RMB'000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	17,895,579,706	727,893

There was no movement in the Company's share capital for both years ended 31 December 2021 and 2020.

39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts (which includes bank and other borrowings, lease liabilities and promissory note, net of pledged deposits, and cash, deposits and bank balances), and equity attributable to owners of the Company (comprising share capital, share premium and all other reserves).

Gearing ratio

The Group's management reviews the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital.

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

	Notes	2021 RMB'000	2020 RMB'000
Debts	(i)	**9,385,308**	8,191,745
Less: Pledged deposits, and cash, deposits and bank balances		**(814,997)**	(420,784)
Net debts		**8,570,311**	7,770,961
Equity attributable to owners of the Company	(ii)	**2,986,511**	2,690,540
Net debts to equity ratio		**286.97%**	288.83%

Notes:

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

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

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost	**1,232,866**	843,502
Financial asset at FVTPL:		
Derivative financial instruments	**46,559**	175,164
Structured bank deposits	**400,000**	500,000
Financial liabilities		
Financial liabilities at amortised cost	**10,897,755**	9,194,692
Financial liabilities at FVTPL:		
Derivative financial instruments	**43,818**	112,342
Designated at FVTPL – Gold loans*	**1,107,100**	1,332,984
Lease liabilities	**137,855**	142,570

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

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, margin deposits, other receivables, structured bank deposits, pledged deposits, cash, deposits and bank balances, trade payables, other payables, bank and other borrowings (including gold loans), promissory note, lease 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 directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Commodity price risk

The Group is principally engaged in the mining and processing of mineral ores and trading of non-ferrous metal in the PRC. The major products of the Group include copper cathodes and gold, and other products include silver, iron ores, sulphuric acid, etc. As the commodity market is influenced by global as well as the PRC supply and demand conditions, any unexpected price change in the market might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures, and may enter into commodity derivative contracts from time to time in accordance with the policies approved by the directors of the Company to manage the exposure with respect to its inventories, forecast sell or firm sell commitments mainly includes copper and certain other metal products. The Group does not enter into any commodity derivative contracts in respect of iron ores and other commodities, except the commodities below.

The Group enters into copper and other metal derivative contracts for the purpose of managing its exposure to copper and other metal product price risk.

Financial assets and liabilities of the Group that expose to the commodity price risk – the fair value change, primarily with respect to its outstanding derivative financial instruments, mainly the copper and other metal derivative contracts.

40. FINANCIAL INSTRUMENTS (Continued)

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

Commodity price risk (Continued)

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

	2021 (Decrease) increase in profit after tax RMB'000	2020 (Decrease) increase in profit after tax RMB'000
The prices of the commodity derivative contracts:		
Increased by 10%	**(1,328)**	(1,572)
Decreased by 10%	**1,328**	1,572

Interest rate risk

The Group is exposed to interest rate risk on deposits, bank balances, interest-bearing other payables, borrowings and promissory note. Deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits, bank balances, interest-bearing other payables, promissory note and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's margin deposits, pledged deposits, cash, deposits and bank balances, interest-bearing other payables, bank and other borrowings and promissory note have been disclosed in notes 24, 28, 30, 32 and 35, respectively. The Group does not use derivative financial instruments to hedge its interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on fluctuation of benchmark interest rates quoted by the PBOC and BOC.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rate, with all other variables held constant (such effect on deposits and bank balances, however, had been ignored as most of them bear interest at minimal rate at the end of each reporting period), of the Group's profit after tax as a result of the change in interest expense for floating rate borrowings after consideration of capitalisation of borrowing costs:

	2021		2020	
	+100 basis points (Decrease) increase in profit after tax RMB'000	**-100 basis points (Decrease) increase in profit after tax RMB'000**	+100 basis points (Decrease) increase in profit after tax RMB'000	-100 basis points (Decrease) increase in profit after tax RMB'000
Financial liabilities:				
Bank and other borrowings	**(28,189)**	**28,189**	(23,885)	23,885

40. FINANCIAL INSTRUMENTS (Continued)

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

Foreign exchange risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from international market that are conducted in US$ and certain borrowings that are denominated in US$.

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

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

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

	2021 (Decrease) increase in profit after tax RMB'000	2020 (Decrease) increase in profit after tax RMB'000
RMB – US$		
Appreciation of RMB by 5%	**52,229**	44,657
Depreciation of RMB by 5%	**(52,229)**	(44,657)

Credit risk and impairment assessment

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

During the year ended 31 December 2021, the Group provided approximately RMB25,685,000 (2020: RMB39,865,000) impairment loss for trade receivables measured at amortised cost based on individual assessment taking into account the past due status of debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Bills receivables are only drawn from major state-owned financial institutions and Finance Company in the PRC. Substantially all margin deposits, structured bank deposits, pledged deposits, and cash, deposits and bank balances as detailed in notes 24, 27 and 28 are held in major state-owned financial institutions and Finance Company located in the PRC. Substantially all derivative financial instruments are directly entered into with the Shanghai Futures Exchange and financial institutions with high credit rating, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any material loss arising from non-performance by these counterparties.

For other receivables, loans to a joint venture and amounts due from joint ventures, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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

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

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

The Group had concentration of credit risk as 21% (2020: 34%) and 83% (2020: 90%) of the total trade receivables was due from the Group's largest debtor and the five largest debtors, respectively.

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

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

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

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

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2021 RMB'000	2020 RMB'000
Financial assets at amortised cost				
Trade receivables (note 23)	Low risk	Lifetime ECL – not credit impaired	**64,008**	157,806
	Doubtful	Lifetime ECL – not credit impaired	**12,523**	12,076
	Loss	Lifetime ECL – credit impaired	**82,511**	50,028
			159,042	219,910
Bills receivables (note 23)	Low risk	12-month ECL	**660**	31,836
Other receivables (note 25)	Low risk	12-month ECL	**29,977**	27,253
	Doubtful	Lifetime ECL – not credit impaired	**–**	–
	Loss	Lifetime ECL – credit impaired	**36,162**	25,350
			66,139	52,603

40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2021 RMB'000	2020 RMB'000
Loans to a joint venture (note 25)	Low risk	12-month ECL	**–**	–
	Loss	Lifetime ECL – credit impaired	**108,085**	116,245
			108,085	116,245
Amounts due from joint ventures (note 25)	Low risk	12-month ECL	**–**	–
	Loss	Lifetime ECL – credit impaired	**10,669**	10,925
			10,669	10,925
Amounts due from fellow subsidiaries (note 25)	Low risk	12-month ECL	**1,299**	20
Amounts due from Daye Group (note 25)	Low risk	12-month ECL	**63**	63
Financial assets at amortised cost				
Pledged deposits (note 28)	Low risk	12-month ECL	**195**	46,049
Other deposits (note 24)	Low risk	12-month ECL	**299,096**	167,937
Cash, deposits and bank balances (note 28)	Low risk	12-month ECL	**814,802**	374,735

40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

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

	Lifetime-ECL (not credit-impaired) RMB'000	Lifetime-ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	542	10,163	10,705
Impairment losses recognised	–	39,865	39,865
As at 31 December 2020 and 1 January 2021	542	50,028	50,570
Impairment losses recognised	–	25,685	25,685
As at 31 December 2021	**542**	**75,713**	**76,255**

The increase in loss allowance during the year ended 31 December 2021 is mainly due to impairment loss recognised on a particular debtor with financial difficulty.

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

	12-month ECL RMB'000	Lifetime-ECL (not credit-impaired) RMB'000	Lifetime-ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	–	–	116,895	116,895
Impairment losses recognised	–	–	9,356	9,356
As at 31 December 2020 and 1 January 2021	–	–	126,251	126,251
Impairment losses recognised	–	–	24,678	24,678
As at 31 December 2021	**–**	**–**	**150,929**	**150,929**

40. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

During the year, the Group provided approximately RMB24,678,000 (2020: RMB9,356,000) impairment allowance for other receivables, and loans to a joint venture and amounts due from a joint venture which was made based on the individual assessment.

Liquidity risk

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

In order to mitigate the liquidity risk, the directors of the Company regularly monitor the operating cash flows of the Group to meet its liquidity requirement in the short and long term, and have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Meanwhile, the Group recorded net operating cash inflows for the years ended 31 December 2021 and 2020.

The directors of the Company have prepared a working capital forecast of the Group covering a period of not less than 12 months from 31 December 2021. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, and assuming the bank borrowings to be raised from unutilised banking facilities. The directors of the Company, after taking into account the reasonably possible changes in the operational performance and the availability of borrowings and the expected renewal of the short-term borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due.

The table below analyses the Group's non-derivative financial liabilities, lease liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the earliest date on which the Group can be required to pay. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows including interest and principal of cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. To the extent that interest flows are variable rate, the undiscounted amount is driven from interest rate at the end of reporting period.

40. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

	Effective interest rate %	Less than 1 year and on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2021							
Non-derivative financial liabilities:							
Trade and bills payables	–	1,812,904	–	–	–	1,812,904	1,812,904
Other payables	–	557,631	297,443	63,330	42,220	960,624	944,498
Bank and other borrowings	1.5-7.35	3,237,196	4,139,247	679,709	616,971	8,673,123	8,151,601
Promissory note	4.75	1,103,194	–	–	–	1,103,194	1,095,852
		6,710,925	4,436,690	743,039	659,191	12,549,845	12,004,855
Lease liabilities	4.9	11,701	11,701	35,103	152,113	210,618	137,855
Derivatives – net settlement		43,818	–	–	–	43,818	43,818

	Effective interest rate %	Less than 1 year and on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2020							
Non-derivative financial liabilities:							
Trade and bills payables	–	1,601,151	–	–	–	1,601,151	1,601,151
Other payables	–	601,017	276,333	–	–	877,350	877,350
Bank and other borrowings	1.1-7.35	4,391,779	1,124,446	2,308,705	–	7,824,930	6,995,672
Promissory note	4.75	–	1,103,393	–	–	1,103,393	1,053,503
		6,593,947	2,504,172	2,308,705	–	11,406,824	10,527,676
Lease liabilities	4.9	11,701	11,701	35,103	163,815	222,320	142,570
Derivatives – net settlement		112,342	–	–	–	112,342	112,342

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

40. FINANCIAL INSTRUMENTS (Continued)

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2021				
Financial assets				
Commodity future contracts	**–**	**42,483**	**–**	**42,483**
Other derivative financial instruments	**–**	**4,076**	**–**	**4,076**
Structured bank deposits	**–**	**400,000**	**–**	**400,000**
Financial liabilities				
Commodity future contracts	**–**	**24,780**	**–**	**24,780**
Other derivative financial instruments	**–**	**19,038**	**–**	**19,038**
Gold loans	**–**	**1,107,100**	**–**	**1,107,100**
At 31 December 2020				
Financial assets				
Commodity future contracts	–	102,105	–	102,105
Other derivative financial instruments	–	73,059	–	73,059
Structured bank deposits	–	500,000	–	500,000
Financial liabilities				
Commodity future contracts	–	81,149	–	81,149
Other derivative financial instruments	–	31,193	–	31,193
Gold loans	–	1,332,984	–	1,332,984

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

40. FINANCIAL INSTRUMENTS (Continued)

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

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

		Fair value As at 31 December		Fair value hierarchy	Valuation technique
		2021	2020		
		RMB'000	RMB'000		
Copper futures contracts:	Assets	**22,236**	77,146	Level 2	Note 1
	Liabilities	**20,066**	64,927	Level 2	Note 1
Gold futures contracts:	Assets	**2,183**	5,439	Level 2	Note 1
	Liabilities	**6**	3,479	Level 2	Note 1
Gold forward contracts:	Assets	**4,076**	73,059	Level 2	Note 3
	Liabilities	**19,038**	28,811	Level 2	Note 3
Silver futures contracts:	Assets	**18,064**	19,520	Level 2	Note 1
	Liabilities	**4,708**	12,743	Level 2	Note 1
Currency option contracts:	Assets	**–**	–	Level 2	Note 2
	Liabilities	**–**	2,382	Level 2	Note 2
Gold loans:	Liabilities	**1,107,100**	1,332,984	Level 2	Note 3
Structured bank deposits:	Assets	**400,000**	500,000	Level 2	Note 4

Notes:

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

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

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

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

There were no transfers between Level 1 and 2 for the years ended 31 December 2021 and 2020, and there were no transfers into or out of Level 3 during both years.

40. FINANCIAL INSTRUMENTS (Continued)

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

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost recognised in the consolidated financial statements approximate their fair values.

41. TRANSFER OF FINANCIAL ASSETS

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

	RMB'000	RMB'000
At 31 December 2020		
Carrying amount of transferred assets (note 23)	820	–
Carrying amount of associated liabilities	(820)	–
Net position	–	–

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

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

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Promissory note RMB'000	Amounts due to a joint venture and Daye Group under other payables and accrued expenses RMB'000	Total RMB'000
At 1 January 2020	9,466,131	147,065	1,011,039	44,924	10,669,159
Financing cash flows	(2,613,370)	–	–	(5,012)	(2,618,382)
Settled through current account balances with Daye Group	–	(11,701)	–	–	(11,701)
Fair value adjustments	(147,933)	–	–	–	(147,933)
Interest expenses	293,381	7,206	42,464	–	343,051
Exchange differences	(2,537)	–	–	–	(2,537)
At 31 December 2020 and 1 January 2021	6,995,672	142,570	1,053,503	39,912	8,231,657
Financing cash flows	933,684	–	–	(8,613)	925,071
Settled through current account balances with Daye Group	–	(11,701)	–	–	(11,701)
Fair value adjustments	(59,218)	–	–	–	(59,218)
Interest expenses	274,451	6,986	42,349	–	323,786
Exchange differences	7,012	–	–	–	7,012
At 31 December 2021	8,151,601	137,855	1,095,852	31,299	9,416,607

43. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**2,527,961**	3,921,923

44. RELATED PARTY TRANSACTIONS

Transactions and balances with the PRC government-related entities

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

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

Other than the transactions and balances with related parties disclosed elsewhere in these consolidated financial statements, the Group also had the following significant transactions with related parties during the year.

	Notes	Related parties	2021 RMB'000	2020 RMB'000
Income				
Sales of non-ferrous metals	(i)	Daye Group*	–	623,581
	(i)	Fellow subsidiaries*	5,385,522	2,235,400
Sales of other materials	(i)	Daye Group*	–	94
	(i)	Fellow subsidiaries*	41,398	46,649
Rendering of services	(i)	Fellow subsidiaries*	762	13,557
Interest income	(ii)	Finance Company	9,265	14,815
Rental income for leasing of assets	(iii)	Fellow subsidiaries*	2,839	3,243
Rental income for leasing of lands	(iii)	Fellow subsidiaries	924	924

44. RELATED PARTY TRANSACTIONS (Continued)

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

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

	Notes	Related parties	2021 RMB'000	2020 RMB'000
Expenses:				
Transportation fees	(i)	Fellow subsidiaries*	**100,661**	63,303
Utilities fees	(i)	Fellow subsidiaries*	**318,148**	331,643
	(i)	Daye Group*	**–**	253
Purchases of non-ferrous metals	(i)	Daye Group*	**54,945**	86,305
	(i)	Fellow subsidiaries*	**1,281,751**	1,335,660
Purchase of other products	(i)	Daye Group*	**–**	492
	(i)	Fellow subsidiaries*	**34,044**	42,418
Other service expense	(i)	Fellow subsidiaries*	**13,274**	22,186
Rental expense for leasing of lands	(iii)	Fellow subsidiaries*	**933**	934
	(iii)	Daye Group*	**7,207**	7,207
Rental expenses for leasing of assets	(iii)	Fellow subsidiaries*	**2,162**	–
Interest expense	(iv)	Daye Group	**18,344**	23,684
	(iv)	Finance Company*	**14,063**	12,105
	(iv)	Fellow subsidiaries*	**376**	2,108
	(v)	China Times	**42,349**	42,464
Interest expense on lease liabilities	(vi)	Daye Group	**6,986**	7,206
Capital expenditures:				
Construction contract fees	(i)	Fellow subsidiaries*	**1,371,500**	191,744
Other service fees	(i)	Fellow subsidiaries*	**80,210**	42,568

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

44. RELATED PARTY TRANSACTIONS (Continued)

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

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

Notes:

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

(ii) The interest income arose from the deposits placed with Finance Company and short-term advances to Daye Group. Further details of these balances at the end of the reporting period are set out in notes 25 and 28, respectively.

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

(iv) The interest expense arose from unsecured loans from Daye Group, Finance Company and a fellow subsidiary, and amounts due to a fellow subsidiary, further details are set out in notes 32 and 30, respectively.

(v) The interest expense arose from promissory note from China Times. Further details of the promissory note at the end of the reporting period are set out in note 35.

(vi) The Group leases certain lands from Daye Group. As at 31 December 2021, the right-of-use assets related to lease from Daye Group amounted to approximately RMB129,729,000 (2020: RMB140,540,000), and the related lease liabilities amounted to approximately RMB137,855,000 (2020: RMB142,570,000). During the year, lease payments of approximately RMB11,701,000 (2020: RMB11,701,000) payable to Daye Group was settled through the current account balances of Daye Group.

Transactions with other the PRC government-related entities

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

Compensation of key management personnel

The key management personnel of the Group includes the directors (which are also top executives of the Company). Further details of Directors' emoluments are included in note 13.

45. RETIREMENT BENEFITS SCHEME

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

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are required to make contributions to the scheme at rates specified in the rules separately. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The total expenses recognised in the consolidated statement of profit or loss amounted to approximately RMB127,442,000 for the year ended 31 December 2021 (2020: RMB77,959,000).

46. DETAILS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment and principal country of operation	Class of shares held	Issued and fully paid-up capital	Proportion of ownership interest held by the Company At 31 December		Proportion of voting power held by the Company At 31 December		Principal activities
				2021	2020	2021	2020	
China Daye Hong Kong International Trading Ltd. (Note (a))	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	100%	100%	100%	Trading of metals and minerals
大冶有色設計研究院有限公司 (Daye Non-ferrous Design and Research Institute Company Limited*) (Notes (b) and (c))	PRC/PRC	Registered capital	RMB6,800,000	95.35%	95.35%	95.35%	95.35%	Research and development
大冶有色金屬有限責任公司 (Daye Non-ferrous Metals Co., Ltd.*) ("Hubei Daye") (Notes (b) and (d))	PRC/PRC	Registered capital	RMB1,490,977,877	95.35%	95.35%	95.35%	95.35%	Mining and processing of mineral ores and trading of metal concentrates
大冶有色興科建設工程質量檢測有限公司 (Daye Non-ferrous Xingke Construction Works Quality Inspection Company Limited*#) (Notes (b) and (c))	PRC/PRC	Registered capital	RMB1,000,000	–	–	–	–	Quality testing of construction projects
陽新弘盛銅業有限公司 (Yangxin Hongsheng Copper Industry Company Limited*) ("Yangxin Hongsheng") (Notes (b) and (c))	PRC/PRC	Registered capital	RMB2,200,000,000 (2020: RMB1,440,000,000)	49.58%	49.58%	52%	52%	Smelting and processing of non-ferrous metals, gold and silver products and trading of non-ferrous metals
Hui Xiang (Notes (b) and (d))	PRC/PRC	Registered capital	RMB226,000,000	55%	55%	55%	55%	Mineral and processing of mineral ores
昆明大鑫貿易有限公司 (Kunming Daxin Trading Co., Ltd.*) (Notes (b),(c) and (e))	PRC/PRC	Registered capital	RMB10,000,000	48.63%	48.63%	51%	51%	Trading of metals and minerals
大冶銅貴建材有限公司 (Daye Tonggui Building Material Company Limited*) ("Daye Tonggui") (Notes (b) and (c) and (e))	PRC/PRC	Registered capital	RMB40,000,000	48.63%	48.63%	51%	51%	Trading of building material
Reservoir (Mongolia) Limited (Note (b))	The Republic of Mongolia/ The Republic of Mongolia	Ordinary	US$100,000	51%	51%	51%	51%	Mineral exploitation

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

\# The subsidiary was deregistered during the year.

46. DETAILS OF SUBSIDIARIES (Continued)

Notes:

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

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

(c) These subsidiaries are PRC limited liability companies.

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length. None of the subsidiaries had any debt securities outstanding as at 31 December 2021 and 2020 nor at any time during both years.

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

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

Name of subsidiary	Place of establishment and place of business	Proportion of ownership interests held by non-controlling interests 2021 and 2020	Profit allocated to non-controlling interests 2021 RMB'000	2020 RMB'000	Accumulated non-controlling interests 2021 RMB'000	2020 RMB'000
Hubei Daye*	PRC	4.65%	**13,622**	(1,645)	**1,124,294**	770,207
Hui Xiang	PRC	45%	**36,428**	(3,419)	**63,473**	27,045
Individually immaterial subsidiaries with non-controlling interests			**90**	285	**(16,904)**	(16,994)
Total			**50,140**	(4,779)	**1,170,863**	780,258

* As at 31 December 2021, capital injection from non-controlling interests of Yangxin Hongsheng amounted to RMB340,000,000 (2020: RMB280,000,000). During the year ended 31 December 2020, Daye Tonggui was established of which Hubei Daye hold 51% of its equity interests. Capital injection from non-controlling interests of Daye Tonggui amounted to RMB19,600,000 (2021: nil).

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

46. DETAILS OF SUBSIDIARIES (Continued)

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

Hubei Daye

	At 31 December 2021 RMB'000	2020 RMB'000
Current assets	**7,884,031**	6,634,003
Non-current assets	**8,895,620**	7,945,534
Current liabilities	**(5,625,163)**	(6,308,133)
Non-current liabilities	**(5,542,843)**	(3,349,227)
Net assets	**5,611,645**	4,922,177
Equity attributable to owners of the Company	**4,487,351**	4,151,970
Non-controlling interests of Hubei Daye	**218,837**	202,481
Non-controlling interests of Hubei Daye's subsidiaries	**905,457**	567,726
Total equity	**5,611,645**	4,922,177
Revenue	**35,267,274**	29,179,364
Expenses	**(34,927,806)**	(28,806,274)
Profit for the year	**339,468**	373,090
Profit/(loss) attributable to:		
Owners of the Company	**325,846**	374,735
Non-controlling interests of Hubei Daye	**15,785**	18,274
Non-controlling interests of Hubei Daye's subsidiaries	**(2,163)**	(19,919)
	339,468	373,090
Dividends paid to non-controlling interests	**–**	–
Net cash inflow (outflow) from:		
Operating activities	**869,053**	2,068,826
Investing activities	**(1,583,979)**	(773,522)
Financing activities	**1,187,962**	(2,434,768)
Net cash inflow (outflow)	**473,036**	(1,139,464)

46. DETAILS OF SUBSIDIARIES (Continued)

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

Hui Xiang

	At 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**83,555**	111,805
Non-current assets	**1,049,240**	979,558
Current liabilities	**(504,543)**	(428,690)
Non-current liabilities	**(487,202)**	(602,573)
Net assets	**141,050**	60,100
Equity attributable to owners of the Company	**77,577**	33,055
Non-controlling interests of Hui Xiang	**63,473**	27,045
Total equity	**141,050**	60,100
Revenue	**373,946**	176,304
Expenses	**(292,996)**	(183,902)
Profit (loss) for the year	**80,950**	(7,598)
Profit (loss) attributable to:		
Owners of the Company	**44,522**	(4,179)
Non-controlling interests of Hubei Daye	**36,428**	(3,419)
	80,950	(7,598)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow (outflow) from:		
Operating activities	**123,329**	56,748
Investing activities	**(45,611)**	(24,184)
Financing activities	**(75,708)**	(58,176)
Net cash (outflow) inflow	**2,010**	(25,612)

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Investments in subsidiaries		**3,781,823**	3,781,823
Investments in joint ventures		**1**	1
Amounts due from subsidiaries	(a)	**263,044**	235,899
		4,044,868	4,017,723
Current assets			
Loan to a joint venture		**–**	33,779
Cash and bank balances		**4,883**	279
Prepayments and other receivables		**455**	7,374
		5,338	41,432
Current liabilities			
Amounts due to subsidiaries	(b)	**10,179**	14,675
Amounts due to joint ventures	(b)	**–**	1
Loan from a subsidiary		**204,997**	166,357
Promissory note		**1,095,852**	–
Other payables and accrued expenses		**4,425**	23,356
		1,315,453	204,389
Net current liabilities		**(1,310,115)**	(162,957)
Total assets less current liabilities		**2,734,753**	3,854,766
Capital and reserves			
Share capital		**727,893**	727,893
Reserves	(c)	**1,706,859**	1,772,728
Total equity		**2,434,752**	2,500,621
Non-current liabilities			
Loans from a subsidiary		**300,000**	300,642
Promissory note		**–**	1,053,503
		300,000	1,354,145
		2,734,752	3,854,766

Notes:

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

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

Notes: (Continued)

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

(c) Movements in reserves

	Share premium RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	124,592	1,825	1,693,723	1,820,140
Loss for the year	–	–	(47,412)	(47,412)
At 31 December 2020 and 1 January 2021	124,592	1,825	1,646,311	1,772,728
Loss for the year	–	–	(65,869)	(65,869)
At 31 December 2021	124,592	1,825	1,580,442	1,706,859

Definitions

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

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

* *For identification purpose only*