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

2016

Annual Report

Mineral Resources

HUBEI MINES

Daye City

1. Tonglvshan Mine
2. Tongshankou Mine

Yangxin County

3. Fengshan Mine
4. Chimashan Mine

XINJIANG MINES

Wuqia County

5. Sareke Copper Mine

Hami City

6. Hami Mine

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Zhang Lin *(Chairman)*
Long Zhong Sheng *(Chief Executive Officer)*
Zhai Baojin
Tan Yaoyu

Independent Non-executive Directors:

Wang Guoqi
Wang Qihong
Liu Jishun

AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Wang Guoqi *(Chairman)*
Wang Qihong
Liu Jishun

NOMINATION COMMITTEE

Zhang Lin *(Chairman)*
Wang Guoqi
Wang Qihong
Liu Jishun

COMPANY SECRETARY

Lau Pok Yuen

LEGAL ADVISERS

As to Hong Kong law:
Paul Hastings

As to Bermuda law:
Conyers Dill & Pearman

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Co., Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18th Floor
No. 8 Queen's Road Central
Central, Hong Kong

PRINCIPAL REGISTRAR

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

661

EXECUTIVE DIRECTORS

Mr. Zhang Lin, aged 54, has been the Chairman and an executive director of the Company since 2012. Mr. Zhang obtained a bachelor's degree in mineral processing engineering from Central South University (中南大學) in 1986 and a doctorate degree in mineral processing engineering from Central South University (中南大學) in 2008. Mr. Zhang was accredited as a senior engineer in mineral processing by the Employees Reform Office of Hubei Province in April 2004. Mr. Zhang has served as chairman of Daye Nonferrous Metals Co., Ltd ("Daye Metal"), a subsidiary of the Company and Daye Nonferrous Metals Group Holding Co., Ltd. (the "Parent Company") since 2008 and 2010, respectively. He is currently the chairman and director of the Parent Company, Daye Metal and the Company. Mr. Zhang has over 25 years of experience in mineral processing.

Mr. Long Zhong Sheng, aged 54, 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 mining engineering at 豐山銅礦 (Feng Shan Copper Mine) in the People's Republic of China (the "PRC") in 1987 and acted as its chief executive from 1998 to 2002. He had also been the chief executive of 銅綠山礦 (Tonglvshan Mine) in the PRC from 2006 to 2008. Mr. Long has over 25 years of experience in the management field of mining industry.

Mr. Zhai Baojin, aged 50, has been an executive director of the Company since 2012. Mr. Zhai graduated in economics and management from the Party School of Hubei Province in 2007. Mr. Zhai was accredited as a senior engineer in metallurgy by the Employees Reform Office of Hubei Province in June 2006. Mr. Zhai joined Daye Metal in April 2005 and was appointed as its director in September 2006 and has also served as its general manager. He had served as the factory head of the smelting plant located in No. 1, Yelian Road, Xin Xialu, Huangshi City, Hubei Province, the PRC, and also the deputy general manager in general affairs and the general manager of Daye Metal since April 2005. Mr. Zhai is currently the general manager and a director of Parent Company. Mr. Zhai has over 25 years of experience in the smelting industry.

Mr. Tan Yaoyu, aged 44, has been an executive director of the Company since 2012. Mr. Tan is also the director of Daye Metal and has over 20 years of experience in the mining industry. Mr. Tan graduated in economics and management from the Party School of Hubei Province in 2007. Mr. Tan was accredited as a senior accountant by the Employees Reform Office of Hubei Province in December 2010. Mr. Tan joined Daye Metal in December 2008 and served as its financial director until October 2009. Mr. Tan was then appointed as a director of Daye Metal in September 2011. He is currently the chief accountant and a member of the Standing Committee of the Parent Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guoqi, aged 55, 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, the PRC. 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 62, 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 59, is a professor and doctoral supervisor in Central South University (the "CSU"). Mr. Liu has been an independent non-executive director of the Company since July 2014. Mr. Liu obtained a bachelor's degree in geology, a master's degree in geology and a doctoral degree in earth sciences from Nanjing University in January 1982, July 1986, and July 1989, respectively. He was assigned to the Research Institute No.230 of China National Nuclear Corporation in Changsha (核工業長沙230研究所) in January 1982. He worked as a researcher from October 1989 to October 1991 for the post-doctoral programme of geological exploration and mining petroleum in Central South University of Technology, which was then merged into the CSU. He joined the CSU as a lecturer of geology in November 1991 and was later promoted to professor. He is devoted to the theoretical research on ore-formation and the practice of ore exploration, and specializes in regional metallogeny, exploration system engineering and practicality assessment for mining. He was involved in the discovery of gold deposits in Qingyaigou (青崖溝), Gansu, PRC and the copper and gold deposits in Ka Latage (卡拉塔格), Xinjiang, the PRC. Mr. Liu has held numerous positions related to geology in multiple companies. For example, he was the research team leader of the Sanjiang exploration project (三江找礦工程) of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), as well as the advisor to each of Southwest China Nonferrous Geological Exploration Bureau (西南有色地勘局), Yunnan Copper (Group) Co., Ltd. (雲南銅業集團), Hubei Provincial Huangmailing Phosphate Chemical Co., Ltd. (湖北黃麥嶺磷化工集團), Guangdong Yunfu Guangye Pyrite Group Limited (廣東雲浮硫鐵礦集團), the joint research institute of Xinjiang Non-ferrous Metal Group and CSU (新疆有色中南大學聯合研究院), Mengzi Mining and Metallurgy Co., Ltd. (蒙自礦冶) and Guixin Mining Industry Development Co., Ltd. (桂新礦業有限公司). He also acted as the mine exploitation advisor in Lincang, Yunnan, the PRC and as a Guangdong Province corporate technology correspondent (廣東省企業科技特派員). He served as a member of the 13th and 14th term of expert valuation team to the National Natural Science Foundation of China (國家自然科學基金委).

Chairman's Statement

Zhang Lin
Chairman of the Board

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Daye Non-Ferrous Metals Mining Limited (the "Company"), I am pleased to present to the shareholders of the Company (the "Shareholders") the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

Revenue for the year ended 31 December 2016 amounted to approximately RMB38,915,713,000 (2015: RMB39,361,792,000), representing a year-on-year decline of approximately 1.13%. Loss for the year was approximately RMB164,752,000 (2015: RMB1,190,225,000), representing a year-on-year decrease of approximately 86.16%, mainly attributable to the significant decrease in the recognition of write-down of inventories and impairment of assets for the year ended 31 December 2016.

During the year, a total of approximately 27,100 tonnes of mined copper was produced by the Group, down by 4.58% from the previous year. The Group also produced approximately 429,000 tonnes of copper cathode, down by 8.84% from the previous year; approximately 1,149.95 tonnes of precious metals (including approximately 20.18 tonnes of gold, approximately 1,113.3 tonnes of silver, approximately 12 kg of platinum, approximately 158 kg of palladium and approximately 16.30 tonnes of tellurium), up by 4.35% year-on-year; approximately 1,001,700 tonnes of chemical products (including approximately 1,000,000 tonnes of sulphuric acid, approximately 607 kg of ammonium perrhenate, approximately 392 tonnes of nickel sulphate, approximately 1,086 tonnes of copper sulfate and approximately 184 tonnes of crude selenium), down by 2.94% year-on-year; approximately 242,000 tonnes of iron concentrate, down by 6.42% year-on-year; and approximately 86 tonnes of molybdenum concentrate, down by 22.52% year-on-year.

Despite various challenges including the industry slowdown and fluctuation of market price in 2016, we managed to maintain our strategic positioning and achieved steady progress in active compliance with new requirements on safety and environment:

1. Operating quality was steadily improved against the backdrop of industry slowdown through quality and efficiency enhancement. Long-term high-efficient production was achieved for high-return systems equipped with advanced technologies. Reasonable arrangement on production and infrastructure construction for the purpose to achieve higher efficiency has driven a sustainable development of mines.

2. Resource exploitation and mine construction proceeded steadily. Throughout the year, the Group fulfilled its drilling depth plan of internal mines, with a new progress made in deep prospecting in Tonglvshan Mine. Mine construction also progressed well. The mining work of No. XI ore body of Tonglvshan Mine passed inspection. Construction of the new tailings storage facility of Tongshankou Mine was completed. The reconstruction projects of underground ventilation and trackless maintenance system of Sareke Copper Mine were put into operation in succession respectively. Mechanisation and automisation of the Group's mine system were further improved.

3. Smelting system was further improved. The fugitive gas collection project was implemented and the acid waste sludge landfill put into operation. Construction of compliance project on waste water and gas emission of rare and precious metal plant was completed. Smelting systems have undergone green transformation. Plant environment got obvious improvement. Capacity expansion of silver electrolysis system in rare and precious metal plant was completed, enhancing the productivity and stability of the system.

However, the world economy is still struggling to recover in 2017. Uncertainties exist in future policy direction of the new U.S. administration, post Brexit process and general election in many key EU members. Against the backdrop of depressed global trade and rising elements of complexity, instability and uncertainty threatening the world economy, the Group is facing more risks and challenges, which heightens the difficulty in market occupation and risk control by the Group. Despite ongoing stable development of China's economy with new growing momentum and accumulated favorable factors, there are still many downward pressures on the economy and various sharp conflicts and issues during the course of economy development. The non-ferrous metals industry is developing in a stable manner, though slowly. However, volatility of many economy indices are intensifying and accelerating, prices of non-ferrous metals often overreact to sudden events with rising unpredictability and it lacks a solid base for a sustained recovery of economic efficiency.

In conclusion, in 2017, we must seek improvements during stable development and work hard in all aspects of our business following existing development strategy and ideas, and be determined to enhance quality and efficiency.

I am confident that such difficulties are temporary, and the management and staff of the Group will work together to face any challenges and steadily implement the Group's business strategies to enhance the values of our shareholders. 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.

Zhang Lin
Chairman of the Board

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB38,915,713,000 (2015: RMB39,361,792,000), representing a decrease of approximately 1.13% from the previous year. The decrease was mainly attributable to the decline of quantity sold of copper cathodes.

Cost of sales and services rendered

For the year ended 31 December 2016, the cost of sales and services rendered of the Group amounted to approximately RMB38,238,717,000 (2015: RMB39,308,260,000), representing a decrease of approximately 2.72% from the previous year, which was primarily due to the decrease in the quantity of purchase of raw materials.

Gross profit

Gross profit increased by RMB623,464,000 to RMB676,996,000, compared with RMB53,532,000 in the same period of 2015. This increase in gross profit was mainly due to the decrease in write-down of inventories for the year ended 31 December 2016. There was a write-down of inventories amounting to approximately RMB612,280,000 due to a significant decline in copper price for the year ended 31 December 2015.

Write-down of inventories of RMB14,110,000 (2015: RMB612,280,000), which is included in cost of inventories in the year ended 31 December 2016, is mainly attributable to the decline in the price of certain raw materials. The materials are written down to net realisable value when the costs of the finished products are expected to exceed their net realisable values.

Other income

Other income for the year ended 31 December 2016 amounted to approximately RMB95,516,000 (2015: RMB107,036,000), representing a decrease of approximately 10.76% from the previous year. The decrease was primarily due to the decrease in government grants recognised.

Administrative expenses

Administrative expenses for the year ended 31 December 2016 amounted to approximately RMB355,127,000 (2015: RMB337,119,000), representing an increase of approximately 5.34% from the previous year. The increase was primarily due to the increase in the repairs and maintenance expense when compared with the previous year.

Other gains and losses

Other gains and losses for the year ended 31 December 2016 amounted to a net loss of approximately RMB66,183,000 (2015: a net loss of RMB779,006,000), representing a decrease of approximately 91.50% from the previous year. The decrease was primarily due to the decrease in the recognition of impairment of assets when compared with the previous year.

Finance costs

Finance costs for the year ended 31 December 2016 amounted to approximately RMB416,556,000 (2015: RMB461,799,000), representing a decrease of approximately 9.80% from the previous year. The Company redeemed the outstanding principal amount of the convertible bonds of RMB684,000,000 in full on 30 May 2016. The interest expense derived from the convertible bonds decreased significantly when compared with the previous year, which caused the decrease in finance costs.

Income tax (expense)/credit

Income tax expense for the year ended 31 December 2016 amounted to approximately RMB48,004,000 (2015: an income tax credit of RMB262,330,000). The income tax credit in the prior year mainly represented the deferred tax credit relating to write-down of inventories. The change mainly reflects the decrease in the write-down of inventories in the current year.

Loss for the year

As a result of the foregoing factors, loss for the year ended 31 December 2016 amounted to approximately RMB164,752,000 (2015: RMB1,190,225,000).

Loss per share

For the year ended 31 December 2016, basic loss per share amounted to RMB0.91 fen (2015: RMB5.52 fen).

MINERAL RESOURCES AND ORE RESERVES

As at 31 December 2016, the Company held a total of six mines located in Hubei and Xinjiang.

The following table sets out the mineral information of each mine as at 31 December 2016.

Abundant and high quality mineral resources

	Hubei Mines								Xinjiang Mines			
	Tonglvshan Mine		Fengshan Mine		Tongshankou Mine		Chimashan Mine		Sareke Copper Mine		Hami Mine	
Geographical location	Daye City		Yangxin County		Daye City		Yangxin County		Wuqia county		Hami City	
Ownership	95.35%		95.35%		95.35%		95.35%		55%		93.34%	
Approximate total area (square kilometres)	4.76		2.35		1.71		0.44		1.28		11.14	
Year for operation commencement	1971		1972		1984		1958		Commercial production not yet commenced		Commercial production not yet commenced	
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		Copper	
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)		Copper concentrate	
Average copper grade	1.19%		0.8%		0.7%		0.85%		1.07%	0.82%	0.71%	0.66%
JORC classification	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred
Ore quantity (million tonnes)	16.41	9.58	12.49	13.27	23.9	16.21	0.297	0.256	17.48	1.90	21.47	8.45
Resources metal quantity												
Copper (tonnes)	195,548	110,900	99,301	110,000	156,855	106,400	1,640	3,040	186,884	15,390	152,000	55,400
Iron (million tonnes)	4.27	2.41	–	–	–	–	–	–	–	–	–	–
Molybdenum (tonnes)	–	–	661	1,860	2,150	3,930	2	35	–	–	–	–
Gold (ounce)	315,008	195,000	–	–	–	–	–	–	–	–	–	–
Silver (thousand ounce)	4,094	1,660	–	–	–	–	–	–	–	–	–	–

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 new exploration on the basis of historical data.

(3) All resources quantities are estimated based on information as of 31 December 2016 (for Hubei Mines and Sareke Copper Mine) and 15 November 2012 (for Hami Mine). There was no material change in the estimates for Hami Mine from 15 November 2012 to 31 December 2016.

Tonglvshan Project Summary

As at 31 December 2016, according to JORC standard, copper mineral resources and copper ore reserves of the Tonglvshan Project amounted to approximately 306,400 tonnes and 25.99 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

	Copper and Iron			Gold and Silver		
JORC classification	**Quantity**	**Cu**	**Fe**	**Quantity**	**Au**	**Ag**
(In licence CuEq>0.5%)	(million tonnes)	(%)	(%)	(million tonnes)	gram/ tonne	gram/ tonne
Resources						
Indicated	16.41	1.19	24.2	15.16	0.7	8.4
Inferred	9.58	1.2	25.2	7.08	0.9	7.3
Total	**25.99**	**1.18**	**24.5**	**22.24**	**0.7**	**8.1**
Reserves (CuEq>0.90%)						
Probable (in mining licence)	5.47	1.04	19.8	5.5	0.53	5.71
Probable (in exploration licence)	4.70	1.06	23.1	4.70	0.52	8.78
Total Probable	**10.17**	**1.05**	**21.1**	**10.2**	**0.53**	**6.98**

Note:

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

Fengshan Project Summary

As at 31 December 2016, according to JORC standard, copper mineral resources and copper ore reserves of the Fengshan Project amounted to approximately 209,300 tonnes and 25.76 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

				Metal Quantity	
JORC classification (In licence CuEq>0.4%)	**Quantity** (million tonnes)	**Cu** (%)	**Mo** (%)	**Cu** (tonne)	**Mo** (tonne)
Resources					
Indicated	12.49	0.80	0.005	99,301	661
Inferred	13.27	0.80	0.014	110,000	1,860
Total	**25.76**	**0.80**	**0.010**	**209,301**	**2,521**
Reserves (CuEq>0.58%)					
Probable (in mining license)	5.83	0.87	0.004		
Total Probable	**5.83**	**0.87**	**0.004**		

Note:

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

Tongshankou Project Summary

As at 31 December 2016, according to JORC standard, copper mineral resources and copper ore reserves of the Tongshankou Project amounted to approximately 263,300 tonnes and 40.12 million tonnes, respectively. Further details are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity (million tonnes)	Cu (%)	Mo (%)
Resources				
In licence	Indicated	7.07	0.6	0.011
Open cut area	Inferred	0.11	0.4	0.003
CuEq>0.3%	**Total**	**7.18**	**0.6**	**0.011**
In licence	Indicated	16.77	0.7	0.008
Underground area	Inferred	14.42	0.6	0.023
CuEq>0.4%	**Total**	**31.19**	**0.7**	**0.015**
Out of licence	Indicated	0.06	0.40	0.033
Underground area	Inferred	1.69	0.8	0.040
CuEq>0.4%	**Total**	**1.75**	**0.8**	**0.040**
Total	Indicated	23.90	0.7	0.009
Open cut & underground area	Inferred	16.22	0.7	0.024
In and out of licence	**Total**	**40.12**	**0.7**	**0.015**
Reserves				
Open cut area (CuEq>0.38%)	Probable	6.40	0.60	0.013
Underground area (CuEq>0.61%)	Probable	2.85	0.83	0.005
	Total	**9.25**	**0.66**	**0.011**

Note:

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

Chimashan Project Summary

As at 31 December 2016, according to JORC standard, copper mineral resources and copper ore reserves of the Chimashan Project amounted to approximately 4,680 tonnes and 553,000 tonnes, respectively. Further details 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 17 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

Sareke Project Summary

As at 31 December 2016, according to JORC standard, copper mineral resources and copper ore reserves of the Sareke Project amounted to approximately 202,424 tonnes and 19.383 million tonnes, respectively. Further details are set out below:

Mineral Resources summary (JORC Code)

	JORC Classification	Resources tonnage (million tonnes)	Copper grade (%)	Copper metal (tonnes)
Resources	Indicated	17.483	1.07	186,884
	Inferred	1.90	0.82	15,540
	Total	**19.383**	**1.04**	**202,424**

Minerals reserves summary (JORC Code)

	Elevation (m)	Probable		Metal Quantity
		Tonnage (1,000 tonnes)	Copper (%)	(tonne)
	>=2,900	490	0.95	4,690
	2,790~2,900	748	0.81	6,040
Reserves	2,730~2,790	643	1.02	6,607
	2,670~2,730	4,616	1.42	65,767
	<=2,670	2,561	0.71	18,120
	Total	**9,058**	**1.12**	**101,224**

Note:

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

Hami Project Summary

According to JORC standard, copper mineral resources and copper ore reserves of the Hami Project amounted to approximately 207,400 tonnes and 29.92 million tonnes, respectively. Further details are set out below:

Mineral resources summary (JORC Code)

Location	**Tonnage** (million tonnes)	**Grade** (% copper)	**Copper content** (million pounds)	**Copper content** (tonnes)
Indicated Resources				
Main Lens	21.47	0.71	335	152,000
Other Lenses	–	–	–	–
Total	**21.47**	**0.71**	**335**	**152,000**
Inferred Resources				
Main Lens	7.12	0.68	106	48,100
Other Lenses	1.33	0.55	16	7,300
Total	**8.45**	**0.66**	**122**	**55,400**

Note:

(1) There was no material change in these estimates during the period from 15 November 2012 to 31 December 2016.

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. However, no mining or exploration in respect of such mineral resources has been conducted by the Group. 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 0.3% copper equivalent, and reported at a cut-off grade of 0.4% copper equivalent for underground operations and 0.3% copper equivalent for open pit operations.

(4) Ore reserves are estimated using minimum cut-off grades of 0.9%, 0.58%, 0.38%, 0.61%, 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)	29,083	29,083	29,083	48,935.00
Iron (RMB/t)	399			
Gold (RMB/g)	194.47			235.00
Silver (RMB/g)	2.04			6.00
Molybdenum (RMB/kg)		72.16	72.16	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 2 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 activities of the Group conducted at each of our mines during the year ended 31 December 2016:

Mine	Activities		
	Exploration	**Development**	**Mining**
Tonglvshan Mine	1. Drilling depth of capacity upgrade reached 3,909.2 meters. 2. Drilling depth of continuation of integrated in-depth investigation and surrounding investigation of Tonglvshan Mine reached 7,641.8 meters.	1. In 2016, the drilling volume for the middle portions, ramps and mining preparations works of the development of No. XI ore body of Tonglvshan Mine was 110,612m³. 2. In 2016, the accumulative completed drilling volume for the middle portions and mining preparations of the development of -485m middle portion of Tonglvshan Mine was 19,476m³. 3. In 2016, the accumulative completed drilling volume of the development of above -485m of No. XI ore body of Tonglvshan Mine was 18,459m³. 4. In January 2016, the development of -545m to -605m middle portion of Tonglvshan Mine commenced construction. By the end of the year, the drilling volume was 24,001m³. 5. In April 2016, the development of -605m to -725m middle portion of No. III ore body of Tonglvshan Mine commenced construction. By the end of the year, the accumulative completed drilling volume was 20,163m³.	Copper: 10,976 tonnes Gold: 555 kg Silver: 4,529 kg Iron concentrates: 242,000 tonnes
Fengshan Mine	1. Drilling depth of capacity upgrade reached 5,142.7 meters. 2. Drilling depth of geological investigation of east of No.7 Line of Fengshan Copper Mine reached 3,743.7 meters.	In 2016, the drilling volume of the development of -320m to -440m middle portion of Fengshan Copper Mine was 24,009m³.	Copper: 5,111 tonnes Gold: 129 kg Silver: 4,075 kg Molybdenum: 86 tonnes
Tongshankou Mine	Prepare capacity upgrade and alternative resources exploration report.	In 2016, the drilling volume for the -220m and -280m middle portion and ramps of the development of -220m and -280m middle portion of Tongshankou Mine was 67,866m³.	Copper: 5,138 tonnes Silver: 1,884 kg
Chimashan Mine	Prepare alternative resources exploration report of Chimashan Copper Mine.	N/A	N/A
Sareke Copper Mine	1. The exploration primarily focused on the pit of the northern mine where drilling depth reached 5,127.5 meters with 61 holes. 2. Field investigation of the Southern mine was completed. An investigation report is in preparation.	The drilling volume of well and tunnels was 11,006.5m/144,077m³.	Trial production
Hami Mine	No significant progress was made in 2016.		

Expenditures incurred

During 2016, we incurred approximately RMB1,429,838,000 (2015: RMB1,507,898,000) on exploration, development and mining production activities, details of which are set out below:

Unit: RMB'000

Mines	Operating expenses	Capital expenditure	2016 Total	2015 Total
Tonglvshan Mine	461,306	171,237	632,543	634,897
Fengshan Mine	194,065	26,091	220,156	249,032
Tongshankou Mine	264,646	159,427	424,073	480,297
Chimashan Mine	10,594	1,436	12,030	25,504
Sareke Copper Mine	2,370	138,666	141,036	117,345
Hami Mine	0	0	0	823
Total	932,981	496,857	1,429,838	1,507,898

Exploration, Development and Mining Expenditures

Unit: RMB'000

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine	Hami Mine
Exploration activities						
Drilling and analysis	1,108	5,274	822	840	–	–
Others	–	–	–	–	–	–
Sub-total	1,108	5,274	822	840	–	–
Development activities (including mine construction)						
Purchases of assets and equipment	16,469	2,427	6,733	–	16,029	–
Civil work for construction of tunnels and roads	151,034	17,725	140,884	247	113,684	–
Staff cost	–	–	–	–	8,953	–
Others	2,626	666	10,988	350	–	–
Sub-total	170,129	20,818	158,605	597	138,666	–
Mining activities (including ore processing)						
Auxiliary materials	35,691	10,515	28,425	–	–	–
Power supply	39,239	17,836	23,630	–	–	–
Staff cost	138,802	75,409	65,844	5,012	–	–
Depreciation	98,542	21,216	80,907	–	–	–
Taxes, resource compensation	23,238	10,153	10,298	583	–	–
Sub-contracting service	31,926	12,930	2,389	–	–	–
Others (administrative fees, selling expenses, non-operating expenditures)	93,868	46,005	53,153	5,000	2,370	–
Sub-total	461,306	194,064	264,646	10,595	2,370	–
Total	632,543	220,156	424,073	12,032	141,036	–

Infrastructure projects, subcontracting arrangements and purchases of equipment

During 2016, 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

	Infrastructure projects, subcontracting arrangements and purchases of equipment			
	Infrastructure projects	Subcontracting arrangements	Purchase of equipment	Total
Tonglvshan Mine	178,600	–	13,636	192,236
Fengshan Mine	30,340	–	7,300	37,640
Tongshankou Mine	84,720	–	2,150	86,870
Chimashan Mine	–	–	–	–
Sareke Copper Mine	–	–	–	–
Hami Mine	–	–	–	–
Total	293,660	–	23,086	316,746

OPERATING OBJECTIVES AND STRATEGIES IN 2017

The main production targets of the Group for 2017 include producing 30,900 tonnes of mined copper, 482,500 tonnes of copper cathode, 20 tonnes of gold, 1,000 tonnes of silver, 1,040,000 tonnes of sulphuric acid, 240,000 tonnes of iron concentrate, 12 kg of platinum, 180 kg of palladium, 380 tonnes of nickel sulfate (containing metal), 190 tonnes of crude selenium, 20 tonnes of tellurium, 1,000 tonnes of copper sulfate, 600 kg of ammonium perrhenate and 84 tonnes of molybdenum concentrate.

In order to achieve the above targets, the Group will implement various working measures, which mainly include the following aspects:

1. **To make persistent efforts to promote the first and foremost strategy of exploring resources**

   The Group will strengthen cooperation in mineral exploitation and resource exploitation, enhance the support capability of resource and accelerate the construction and development of mines with the aim to turn resource superiority into favorable economic conditions, thus intensifying the solid support of improving quality and effectiveness.

   The Group will pay special attention to the project of resource exploitation by advancing the mine exploration of fringe and in-depth of its mines, in order to increase the resource reserves. The Group will step up its efforts in mine exploration for mine production for the purpose of increasing the minable ore, while upgrading the reserve category of such mines.

   The Group will focus on the construction of mining infrastructure by accelerating the construction of the development of No. XI ore body of Tonglvshan Mine and the development of ramps in in-depth of southern edges of Fengshan Copper Mine, so as to ensure that the work progress is satisfactory. Besides, the Group will speed up the development of Sareke Copper Mine, thereby facilitating the steady and continued production of the mines.

2. To make persistent efforts to promote the development of Green Daye (環保有色)

The Group will adhere to the concept "to be in compliance with laws and regulations, to promote green development, to implement energy conservation and emission reduction as well as promoting cleaner production" so as to respond to additional changes and requirements of environmental protection in an active manner. By accurately grasping the above importance and difficulty, the Group strives to make further breakthrough in developing Green Daye (環保有色).

The Group will accelerate the construction of energy conservation and emission reduction works. In this regard, we will make sure that the centralized scrap copper recycling project with a capacity of 200,000 tonnes is completed during the year. The Group will focus on the environment control and transformation. Specifically, it will further consolidate the basis of emission control work for smelting plant and accelerate the projects including smoke and gas discharge control of converter to make sure that the emission is up to standards, while reinforcing online monitoring and management to guarantee that the indicator of each discharge point is immediately available. Meanwhile, the Group will pay great attention to the reduction work of waste discharge by enhancing the management on water balance, so as to control the discharge of water to areas outside smelting plant to below 1,500 tonnes/day.

3. To make persistent efforts to promote technological innovation

The Group will intensify its efforts in the development of key technologies, and then make full use of its achievement and popularize its application, so that technological innovation will play a more important role in improving quality and effectiveness.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

EQUITY

The Company's issued and fully paid share capital as at 31 December 2016 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, the Group's receipts and payments were mainly denominated in RMB.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had restricted deposits and bank balances, bank and other deposits, bank balances and cash of approximately RMB1,191,443,000 (2015: RMB1,843,135,000), of which the majority were denominated in Renminbi. The Group's current ratio was approximately 1.02 (2015: 1.01), based on current assets of approximately RMB6,810,935,000 (2015: RMB7,577,245,000) divided by current liabilities of approximately RMB6,644,835,000 (2015: RMB7,467,210,000). The Group's gearing ratio as at 31 December 2016 was approximately 345.36% (2015: 326.33%), based on net debts (which included bank and other borrowings and convertible note/bonds less restricted bank deposits, restricted deposits (excluding other deposits held in futures exchanges and certain financial institutions as security for the commodities derivative, gold forward contracts and currency forward contracts) and bank balances, bank and other deposits, bank balances and cash) of approximately RMB8,499,169,000 (2015: RMB8,564,240,000) divided by equity attributable to owners of the Company of approximately RMB2,460,959,000 (2015: RMB2,624,443,000). The increase in gearing ratio was attributable to the decrease in equity attributable to owners of the Company due to the effect of the loss for the year.

As at 31 December 2016, the Group had sufficient funding to pay off all its outstanding liabilities and meet its working capital requirement.

BORROWINGS

As at 31 December 2016, the Group's total debts (which comprise non-current and current bank and other borrowings and convertible note) amounted to approximately RMB9,662,171,000 (2015: RMB10,269,119,000). The decrease in debts was primarily due to the redemption by the Company of the outstanding principal amount of the convertible bonds of RMB684,000,000 in full on 30 May 2016.

As at 31 December 2016, the Group had bank and other borrowings of approximately RMB2,488,269,000 (2015: RMB3,579,419,000) and RMB6,293,293,000 (2015: RMB5,259,341,000) 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. Included in bank and other borrowings of RMB41,000,000 (2015: RMB93,361,000) were advances from banks and Daye Nonferrous Metals Group Finance Co., Ltd. for discounted bills with the same amount. 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 RMB 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, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts had been entered by the Group.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2016.

CHARGES ON ASSETS

As at 31 December 2016, other deposits which amounted to RMB28,441,000 (2015: RMB138,256,000) were held in futures exchanges and certain financial institutions as security for the commodities derivative, gold forward contracts and currency forward contracts, and other financing were secured by bank deposits and balances amounting to RMB46,250,000 (2015: RMB410,980,000).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group issued financial guarantees to a bank in respect of banking facilities for letter of credits granted to a joint venture, the details of which are disclosed in note 41 to the consolidated financial statements.

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 6 to 7 and pages 20 to 21 respectively of this annual report. A description of the principal risks and uncertainties facing the Company is set out in the section headed "Chairman's Statement" on page 7.

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:

	2016	2015
Gross Profit Margin	1.74%	0.14%
Debt to Assets Ratio	83.73%	83.20%
Current Ratio	1.02	1.01
Assets Turnover Ratio	2.38	2.33

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 adhered to the five development concepts of "innovation, coordination, greenness, openness and sharing" proposed in the Fifth Plenary Session of the Eighteenth Central Committee of the PRC government, strictly enforced the relevant laws and regulations, such as Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) by continuing to advance the transformation works for energy conservation and emission reduction and environmental control and making sure the effective operation of the environmental management system. Thereby, a number of tasks and targets were well achieved, thus effectively promoting the Company's harmonious development in economy and environment.

1. Environmental goals and control criteria were both achieved.

   In 2016, there were no incidents of large-scale or serious environmental pollution, and the emission of waste water and exhaust gas satisfied the applicable standards. Management of hazardous wastes and radiation was in compliance with applicable laws and regulations. The annual environmental goals were realized. The operation ratio of the environmental protection facilities was 100%. Recycling rate of industrial waste water from smelting process was 97.27%, and water consumption for production of each ton of copper was 19.79 tonnes. Both achieved the secondary indicators for cleaning production of copper smelting industry. Recycling rate of waste water discharged from production activities of the mine was 78.02%, which has successfully achieved our annual control indicator of 78%.

2. Key environmental control projects completed, and the key pollutant emission was significantly reduced.

   The environment was greatly improved since our Group commenced to build 12 key environmental control projects in 2013. The deep desulfurization of sulfuric acid exhaust project for smelting plant continued to operate stably, which realized the emission of SO_2 reduced 704 tonnes per year. The integrated treatment of exhausted gases project for smelting plant commenced its operation in the end of September 2016, which reduced the emission of SO_2 by 4,304 tonnes per year. The transformation project of segregation of clean water from waste water for smelting plant enabled separating treatment and gradient recycling use of the waste water, based on which, the water balance project of smelting plant had achieved prominent achievements. By the end of December in 2016, the average discharge of water per day was controlled below 4,100 tonnes, which decreased by 59% from 10,000 tonnes in June 2016.

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 conservation: the Group has vigorously promoted energy conservation and emission reduction through accelerating industrial upgrade based on its actual condition in accordance with relevant laws and regulations on energy of the PRC, including Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), Cleaner Production Promotion Law of the PRC (《中華人民共和國清潔生產促進法》), Electricity Law of the PRC (《中華人民共和國電力法》), Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), and relevant national standards, including the Comprehensive Working Program for Energy Conservation and Emission Reduction in the 13th Five-Year Plan Period (《「十三五」節能減排綜合性工作方案》), Measures for the Supervision and Administration of Energy Measurement (《能源計量監督管理辦法》), Energy Conservation and Emission Reduction Plan during the "Thirteenth Five-Year Plan" Period (《節能減排「十三五」規劃》) and Regulations on Copper Smelting Industry (《銅冶煉行業規範條件》).

The laws and regulations on energy conservation clearly stipulate the requirements and standards about energy conservation and provide a basis for the Group to use energy in a reasonable and professional way. Meanwhile, with reference to the requirements of relevant national and industry standards, the Group has implemented a 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, which facilitated the implementation of standardization, systemization, normalization and institutionalization of the energy management of the Group and enhanced the working level of energy conservation and consumption deduction of the Group.

Environmental protection: the Group has strengthened environmental risk control over the whole process of the production, transportation, temporary storage and disposal of hazardous wastes, and real-timely monitored pollutant emissions to avoid excessive emission and adhere to national environmental laws and regulations in accordance with requirements of laws and regulations, such as the PRC Law on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the PRC Law on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) and Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). During 2016, there was no material non-compliance in the environmental aspect.

Safety Production: the Group has comprehensively promoted the construction of safety risk classification control system, hidden peril investigation and governance system and safety production standardization system in accordance with requirements of laws and regulations, including the PRC Production Safety Law (《中華人民共和國安全生產法》), the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》) and the Law on Mine Safety of the PRC (《中華人民共和國礦山安全法》), achieving zero seriously injured accident, large fire accident, major equipment accident, major traffic accident and major or above safety accident during 2016.

The abovementioned laws and regulations on environmental protection and safety production have provisions of legal responsibilities stipulating the legal consequences upon breach thereof, including ordering 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 administrative competent authority, and the serious incidents shall be reported to the People's Government with a right to order the termination of operations and shutdown.

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

Relationship with customers

Maintaining and consolidating its relationship with customers is crucial to increasing the profits of the Company. When carrying out business with customers, the Group has adopted various methods to collect and report their needs and expectations and taken corresponding measures for improvement. The results of such measures were reviewed and feedbacks were provided to the customers. The main duties include recording verbal or implied feedbacks, opinions, suggestions, complaints or praises of customers when communicating with the customers and conducting a customer satisfaction survey by sending out questionnaires to the customers etc.

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, therefore the relevant risks of reliance on the major customers are minimal due to the existence of a large number of substitutes in the market.

Relationship with suppliers

Part of the Group's copper raw materials is required to be purchased in both overseas and domestic markets. As a result, maintaining a sound relationship with raw materials suppliers is always the most important task in our raw materials procurement.

Before developing a business relationship with any raw materials supplier, the Company will specify its conditions and future developments, express a long-term cooperation plan and outline an outlook of the development of the cooperation to the suppliers, so as to determine a reasonable procurement price.

In addition, the Group continues to secure a group of quality copper ore suppliers by conducting regular evaluations, so as to lay a solid foundation for the smelting production of the Group.

Organisation and resources of the group

To successfully implement the strategies approved by the Board, we must ensure that we have an efficient organisation structure, adequate resources and necessary capabilities. Our organisation structure has been continuously optimized to support the Group's investment strategies and its efficient and safe business operations. In addition, our structure has to be flexible enough to adapt to an increasingly complex and volatile business environment. The tables below set out the details of the Group's employee distribution as at the end of 2016:

Age				
Below 18	**18 to 29**	**30 to 39**	**40 to 49**	**50 or above**
0	619	2,810	3,563	713

Gender	
Male	**Female**
5,805	1,900

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

In each of our operation areas, the majority of employees are locally recruited. However, operating business at home and abroad, we also need to allocate staff to different business areas for reasons including individual development, transfer of know-how and project resource distribution.

Our core requirement is to ensure that we can attract, retain and deploy employees to satisfy the rapid development of the Company and maintain our remarkable performance in the non-ferrous metal industry. We have adopted a manpower forecasting model to project our recruitment and training needs for skilled labour over the next five years and develop our resource distribution plans. In 2016, we recruited 32 new staff with average age of 23, far below the average age of the workforce in Mainland China.

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 2016:

% of employees trained		Average training hours per employee
Male	**Female**	**Number of hours**
78	72	24

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 high 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 rates, which are 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 2016:

Voluntary turnover rate (%)				
Below 18	**18 to 29**	**30 to 39**	**40 to 49**	**50 or above**
0	1.16	0.48	0.13	0.03

Voluntary turnover rate (%)		
Male	**Female**	**Overall**
1.53	0.26	1.79

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 in order to ensure that its core expertise remains intact regardless of staff retirement or other external reasons.

The directors of the Company (the "Director(s)") have the pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016. A summary of the financial information of the Group for each of the five years ended 31 December 2016 is presented below.

FIVE-YEAR FINANCIAL SUMMARY

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

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**38,915,713**	39,361,792	42,808,295	43,598,452	28,878,123
(Loss)/profit for the year attributable to:					
Owners of the Company	**(163,484)**	(976,337)	(95,553)	(1,949,229)	157,176
Non-controlling interests	**(1,268)**	(213,888)	(31,016)	(18,496)	6,476
(Loss)/profit for the year	**(164,752)**	(1,190,225)	(126,569)	(1,967,725)	163,652

Summary of selected items of consolidated statement of financial position

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Current assets	**6,810,935**	7,577,245	7,837,227	8,899,313	7,559,770
Non-current assets	**9,285,156**	8,995,000	9,329,377	8,895,871	9,795,973
Total assets	**16,096,091**	16,572,245	17,166,604	17,795,184	17,355,743
Liabilities					
Current liabilities	**6,644,835**	7,467,210	7,494,605	8,845,645	7,379,410
Non-current liabilities	**6,832,157**	6,321,184	5,752,932	4,976,939	4,050,845
Total liabilities	**13,476,992**	13,788,394	13,247,537	13,822,584	11,430,255
	2,619,099	2,783,851	3,919,067	3,972,600	5,925,488
Equity attributable to owners of the Company	**2,460,959**	2,624,443	3,545,771	3,568,288	5,492,448
Non-controlling interests	**158,140**	159,408	373,296	404,312	433,040
	2,619,099	2,783,851	3,919,067	3,972,600	5,925,488

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 42 to the consolidated financial statements.

The Group's revenue and segment information for the year ended 31 December 2016 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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil). No interim dividend was declared during the year (2015: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 15 to the consolidated financial statements.

CONVERTIBLE BONDS

In accordance with the terms and conditions of the convertible bonds, the Company has, upon the exercise of the option of the holders of the convertible bonds, redeemed the outstanding principal amount of the convertible bonds of RMB684,000,000 in full on 30 May 2016 at 101.52 percent of their principal amount, and the convertible bonds were cancelled in full on 31 May 2016. Please refer to note 30 to the consolidated financial statements for further details.

SHARE CAPITAL AND CONVERTIBLE NOTE

Details of movements in the Company's share capital and convertible note during the year ended 31 December 2016 are set out in notes 33 and 30, respectively, to the consolidated financial statements.

Save for the convertible note as set out in note 30 to the consolidated financial statements, the Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2016.

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 2016 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company had retained profits of RMB2,234,191,000 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 2016 and up to the date of this report were:

Executive Directors

Zhang Lin *(Chairman)*
Long Zhong Sheng
Zhai Baojin
Tan Yaoyu

Independent Non-executive Directors

Wang Guoqi
Wang Qihong
Liu Jishun

Pursuant to Bye-law 87(1) of the Bye-laws of the Company, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office by rotation. Pursuant to Bye-law 87(2) of the Bye-laws of the Company, a retiring Director shall be eligible for re-election. Accordingly, each of Long Zhong Sheng, Wang Guoqi, Wang Qihong and Liu Jishun shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company which is determinable by the Company by not less than three months' notice.

No Director proposed for re-election at the forthcoming annual general meeting of the Company 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 2016, 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 Securities and Futures Ordinance (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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), were as follows:

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

Notes:

1. Mr. Wang Qihong is deemed to be interested in 1,000,000 shares through the interests of 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 2016.

Save as disclosed above as at 31 December 2016, none of the Directors, chief executive of the Company or their associates 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 2016, so far as is known to the Directors, the following persons, other than the Directors and chief executive of the Company, had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in shares/underlying shares of the Company

Name of Shareholder	Capacity	Number of shares/ underlying shares	Approximate percentage of total shares in issue as at 31 December 2016
China Times Development Limited	Beneficial owner	13,970,671,176 shares *(Note 1)*	78.07% *(Note 4)*
Daye Nonferrous Metals Group Holding Co., Ltd.	Interest in a controlled corporation	13,970,671,176 shares *(Notes 1 and 2)*	78.07% *(Note 4)*
China Cinda (HK) Asset Management Co., Limited	Beneficial owner	936,953,542 shares	5.24% *(Note 4)*
China Cinda Asset Management Co., Limited	Interest in a controlled corporation	936,953,542 shares *(Note 3)*	5.24% *(Note 4)*

Notes:

1. Include 2,007,672,096 shares which may be issued upon the exercise of convertible note.

2. These shares were held by China Times Development Limited, the entire issued capital of which were beneficially owned by Daye Nonferrous Metals Group Holding Co., Ltd.

3. These shares were held by China Cinda (HK) Asset Management Co., Limited, the entire issued capital of which were beneficially owned by China Cinda Asset Management Co., Limited.

4. This percentage is calculated based on 17,895,579,706 issued shares of the Company as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, 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 CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Group, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

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 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 3 to 4 of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, 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	27%
– Five largest customers	48%

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

– The largest supplier	21%
– Five largest suppliers	50%

At no time during the year ended 31 December 2016 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 2016, 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 Daye Nonferrous Metals Group Holding Co., Ltd. (the "Parent Company", together with its subsidiaries, the "Parent Group") and certain of the Company's other connected persons. Details of their relationship with the Company are set out below:

Entity	Relationship with the Company
Parent Company	Parent Company is the controlling shareholder of the Company and is therefore a connected person of the Company.
China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC")	CNMC is a controlling shareholder of the Company and is therefore a connected person of the Company.
Daye Non-ferrous Transportation and Tyre Company Limited ("Daye Transportation")	Daye Transportation is owned as to more than 30% by the Parent Company (through its subsidiary) and is therefore its associate and a connected person of the Company.
Hubei Jilong Mountain Gold Mining Co. Ltd ("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 Tonghua Hotel Company Limited ("Tonghua Hotel")	Tonghua Hotel is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.
Huangshi Hongbo Nonferrous Metals Trading Company Limited ("Huangshi Hongbo")	Huangshi Hongbo is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.
Jiangsu Weixiang Technology Company Limited ("Jiangsu Weixiang")	Jiangsu Weixiang is owned as to more than 30% by the Parent Company and is therefore its associate and a connected person of the Company.
China Nonferrous Metals (Guilin) Geology and Mining Co., Ltd ("Guilin Research")	Guilin Research is a non-wholly owned subsidiary of CNMC and is therefore a connected person of the Company.

Continuing connected transactions that were in effect in 2016

A. Financial Services Framework agreement

Date	8 October 2013
Parties	1. The Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of the transactions	The Group shall provide deposit to the Parent Group and such other financial services as agreed by the parties from time to time. The Parent Group shall provide to the Group the following financial services: loans and interest, guarantees and integrated credit facilities; bills acceptance and settlement; and such other financial services as agreed by the parties from time to time.
Price	Based on market price, subject to compliance with applicable laws and regulations.
Annual Caps	For the deposit services, a maximum daily balance (including accrued interests) of: The annual cap for the year of 2014 is RMB809,200,000. The annual cap for the year of 2015 is RMB1,011,500,000. The annual cap for the year of 2016 is RMB1,314,950,000. For the bills acceptance, settlement services and other financial services: The annual cap for the year of 2014 is RMB12,000,000. The annual cap for the year of 2015 is RMB14,000,000. The annual cap for the year of 2016 is RMB19,000,000.

B. Supplemental Financial Services Framework Agreement

Date	7 November 2013
Parties	1. The Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Establishment of a financial company	The Parent Company has established a financial company (the "Parent Financial Company") to serve as the financial platform for facilitating the provision of financial services by the Parent Company to its intra-group companies.
Deposit and loan amounts	The average daily amount of deposits placed by the Group with the Parent Group must not exceed the average daily amount of outstanding loans extended by the Parent Group to the Group.
Set-off upon default on deposits	If the Parent Group is unable to return on time the deposits (including accrued interest) placed to it by the Group, the Group shall have the right to: (1) terminate the Financial Services Framework Agreement; and (2) set off such deposits (including accrued interest) against the outstanding loans (including accrued interest) extended by the Parent Group to the Group.
Compensation for losses suffered by the Group	The Parent Company and its subsidiaries shall jointly and severally fully compensate the Group for any loss incurred by the Group (including in relation to the amount of outstanding deposits or loans and accrued interest or any related expenses incurred) as a result of any of the following: (1) the Parent Group breaches, or is likely to breach, any PRC laws or regulations; (2) the occurrence of, or likely occurrence of, any material problem in the Parent Group's operations or liquidity; or (3) the Parent Group does not comply or breaches the Financial Services Framework Agreement or the Supplemental Financial Services Framework Agreement.
Undertaking by the Parent Group	The Parent Group undertakes to the Group that if the Parent Financial Company experiences or foresees any liquidity problems, the Parent Group will inject capital into the Parent Financial Company based on the latter's needs in order to ensure the latter's normal operations.

C. CNMC Purchase and Production Services Framework Agreement

Date	8 October 2013
Parties	1. The Company 2. CNMC
Term	1 January 2014 to 31 December 2016
Nature of the transactions	CNMC and its subsidiaries (the "CNMC Group") will: (a) supply certain products to the Group, including: blister copper containing copper, blister copper containing gold, blister copper containing silver, copper concentrate mines containing copper, copper concentrate mines containing gold, copper concentrate mines containing silver, water and electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools and such other products as agreed by the parties from time to time; and (b) provide certain production services to the Group, including: construction, installation, repairs, supervision and such other production services as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; (ii) if there is no applicable government-prescribed price, the market price; or (iii) if no market price is available, the cost of the relevant product/service plus a reasonable service charge.
Annual Caps	The annual cap for the year of 2014 is RMB4,810,380,000. The annual cap for the year of 2015 is RMB6,098,150,000. The annual cap for the year of 2016 is RMB7,395,820,000.

D. CNMC Sales Framework Agreement

Date	8 October 2013
Parties	1. The Company 2. CNMC
Term	1 January 2014 to 31 December 2016
Nature of the transactions	The CNMC Group will purchase certain products from the Group, including: copper concentrate mines containing copper, copper concentrate mines containing gold, copper concentrate mines containing silver and such other products as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; (ii) if there is no applicable government-prescribed price, the market price.
Annual Caps	The annual cap for the year of 2014 is RMB541,230,000. The annual cap for the year of 2015 is RMB620,420,000. The annual cap for the year of 2016 is RMB699,610,000.

E. New Sales Framework Agreement

Date	8 October 2013
Parties	1. The Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of the transactions	The Group will supply certain products to the parent Group, including: silver, copper cathodes, silver extracts containing gold, silver extracts containing silver, silver extracts containing lead, residual heat power generating, water and electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools, sulphuric acid, diesel fuel and such other products as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; (ii) if there is no applicable government-prescribed price, the market price.
Annual Caps	The annual cap for the year of 2014 is RMB2,588,110,000. The annual cap for the year of 2015 is RMB3,182,850,000. The annual cap for the year of 2016 is RMB3,766,570,000.

F. New Services Framework Agreement

Date	8 October 2013
Parties	1. The Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of the transaction	The Group will supply certain services to the Parent Group, including: engineering design and surveying, environment monitoring, equipment examination and such other services as agreed by the parties from time to time.
Price	Based on market price.
Annual Caps	The annual cap for the year of 2014 is RMB3,900,000. The annual cap for the year of 2015 is RMB3,900,000. The annual cap for the year of 2016 is RMB3,900,000.

G. New Combined Ancillary Services Framework Agreement

Date	8 October 2013
Parties	1. The Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of the transactions	The Parent Group will provide certain services to the Group, including; cylinder maintenance, waste disposal, medical, canteen, commute, property management, green engineering, dining subsidies, mineral water, mining, disease prevention, mobile telecommunication, water, electricity, building maintenance, environmental conservation, university accommodation, training, conference, agricultural and such other services as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price.
Annual Caps	The annual cap for the year of 2014 is RMB431,300,000. The annual cap for the year of 2015 is RMB452,990,000. The annual cap for the year of 2016 is RMB475,530,000.

H. New Purchase and Production Services Framework Agreement

Date	8 October 2013	
Parties	1.	The Company
	2.	Parent Company
Term	1 January 2014 to 31 December 2016	
Nature of the transactions	(a)	The Parent Group will supply certain products to the Group, including: blister copper containing copper, blister copper containing gold, blister copper containing silver, water and electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools, copper concentrates containing copper, copper concentrates containing gold, copper concentrates containing silver, gold concentrate containing gold, gold ore containing gold and such other products as agreed by the parties from time to time; and
	(b)	The Parent Group will provide certain production services to the Group, including: processing of copper anodes, relocation compensation, steel-casting, repair, technological engineering, processing of anode plates, engineering labour, transportation (including renting a sulphuric acid tank), labour, inspection and such other production services as agreed by the parties from time to time.
Price	Based on: (i) the government-prescribed price; (ii) if there is no applicable government-prescribed price, the market price; or (iii) if no market price is available, the cost of the relevant product/service plus a reasonable service charge.	
Annual Caps	The annual cap for the year of 2014 is RMB2,091,010,000. The annual cap for the year of 2015 is RMB2,507,240,000. The annual cap for the year of 2016 is RMB2,908,440,000.	

I. Asset Lease Framework Agreement

Date	8 October 2013
Parties	1. The Company 2. Parent Company
Term	1 January 2014 to 31 December 2016
Nature of the transactions	The Group will lease certain assets (including sulphuric acid tank trucks and other assets) to the Parent Group, and also guarantee that the Parent Group will have the exclusive right to use such assets during the term of this agreement.
Price	Based on market price.
Annual Caps	The annual cap for the year of 2014 is RMB11,470,000. The annual cap for the year of 2015 is RMB11,470,000. The annual cap for the year of 2016 is RMB11,470,000.

J. New Daye Transportation Purchase Framework Agreement

Date	8 October 2013
Parties	1. The Company 2. Daye Transportation
Term	1 January 2014 to 31 December 2016
Nature of the transactions	Daye Transportation will supply certain products to the Group, including: tyres, automobile parts and components, petrol, diesel oil and such other products as agreed by the parties from time to time.
Price	Based on market price.
Annual Caps	The annual cap for the year of 2014 is RMB5,450,000. The annual cap for the year of 2015 is RMB5,300,000. The annual cap for the year of 2016 is RMB5,140,000.

K. New Tonghua Hotel Services Framework Agreement

Date	8 October 2013
Parties	1. The Company 2. Tonghua Hotel
Term	1 January 2014 to 31 December 2016
Nature of the transactions	Tonghua Hotel will provide certain services to the Group, including: accommodation, catering, conference and such other services as agreed.
Price	Based on market price.
Annual Caps	The annual cap for the year of 2014 is RMB7,000,000. The annual cap for the year of 2015 is RMB7,000,000. The annual cap for the year of 2016 is RMB7,000,000.

L. Land Lease Framework Agreement

Date	23 December 2011
Parties	1. The Company 2. Parent Company
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.
Annual Caps	The annual cap for the year of 2014 is RMB23,890,000. The annual cap for the year of 2015 is RMB23,890,000. The annual cap for the year of 2016 is RMB23,890,000.

M. Lease Agreement

Date	31 December 2014
Parties	1. Daye Metal 2. Parent Company
Term	1 January 2015 to 31 December 2016
Lease Premise	Phase 3-II, International Enterprise Centre, 29 Guanggu Avenue, Wuhan East Lake High-tech Developments Zone, Wuhan, PRC
Gross Floor area (sq.m.)	14,011.58
Site Floor area (sq.m.)	2,697.83
Annual Caps	The annual cap for the year of 2015 is RMB12,424,588.63. The annual cap for the year of 2016 is RMB12,424,588.63.

N. Hongbo Sales Framework Agreement

Date	29 March 2016
Parties	1. Daye Metal 2. Huangshi Hongbo
Term	1 April 2016 to 31 December 2016
Nature of transactions	Daye Metal will supply certain products to Huangshi Hongbo, including copper cathodes and such other products as agreed by the parties from time to time subject to the terms of the Sales Framework Agreement.
Price	Based on the market price.
Annual Cap	The annual cap for the year of 2016 is RMB90,000,000.

O. Hongbo Purchase Framework Agreement

Date	29 March 2016
Parties	1. Daye Metal 2. Huangshi Hongbo
Term	1 April 2016 to 31 December 2016
Nature of transactions	Daye Metal will purchase certain products from Huangshi Hongbo, including copper concentrate, blister copper, high-purity silica sand and such other products as agreed by the parties from time to time subject to the terms of the Purchase Framework Agreement.
Price	Based on the market price.
Annual Cap	The annual cap for the year of 2016 is RMB87,640,000.

The Group has followed the policies and guidelines of the above continuing connected transactions conducted during the year as disclosed in the relevant announcements and circular when determining the price and terms of the transactions.

Connected transaction that was entered into in 2016

A. Exploration Agreement

Date	7 June 2016
Parties	1. Daye Metal 2. Guilin Research
Subject Matter	Guilin Research shall provide geological work in respect of the Sunite Mine in accordance with Daye Metal's comprehensive design plan for the Sunite Mine, including drilling engineering, physical drilling, chemical drilling, topographic mapping, geological survey, trenching, rock and mineral analysis, geological record, comprehensive research and compilation of reports.
Consideration	The fees for drilling engineering shall be RMB466 per metre, and RMB1,165,000 in aggregate; site construction shall be based on 2.46% of total budget of offsite geological work, and other geological work (including physical drilling, chemical drilling and other geological work) shall be based on the Geological Bureau Standards. Applicable tax under PRC regulations (i.e. value added tax and surcharge) shall be borne by Daye Metal. The total fees under the Exploration Agreement shall be RMB2,812,000 (inclusive of tax).

Save as disclosed above, none of the transactions disclosed as related party transactions in note 39 to the consolidated financial statements is a connected transaction or a continuing connected transaction of the Company under the Listing Rules, and the Company confirms that it has complied with the disclosure requirements in accordance with 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 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 "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.

Continuing connected transactions that were entered into in 2016 and/or which are in effect in 2017

A. Financial Services Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group shall provide to the Parent Group deposit services (namely, the placing of deposits by the Group with the Parent Group) and other financial services as agreed by the parties from time to time. The Parent Group shall provide to the Group the following financial services: loans, guarantees, integrated credit facilities; bills acceptance and settlement; and such other financial services as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Price of services:	Based on market price with reference to the benchmark interest rates for loans of the same term and similar fees charged by commercial banks for similar services, subject to compliance with applicable laws and regulations.
Deposit and loan amounts:	The maximum daily balance of deposits of the Group placed with the Parent Group must not exceed the maximum daily balance of outstanding loans extended by the Parent Group to the Group.
Set-off upon default on deposits:	If the Parent Group is unable to return on time the deposits (including accrued interest) placed to it by the Group, the Group shall have the right to: (1) terminate the Financial Services Framework Agreement; and (2) set off such deposits (including accrued interest) against the outstanding loans (including accrued interest) extended by the Parent Group to the Group.
Compensation for losses suffered by the Group:	The Parent Company and its subsidiaries shall jointly and severally fully compensate the Group for any loss incurred by the Group (including in relation to the amount of outstanding deposits or loans and accrued interest or any related expenses incurred) as a result of any of the following: (1) the Parent Group breaches, or is likely to breach, any PRC laws or regulations; (2) the occurrence of, or likely occurrence of, any material problem in the Parent Group's operations or liquidity; or (3) the Parent Group does not comply or breaches the Financial Services Framework Agreement.
Undertaking by the Parent Group:	The Parent Group undertakes to the Group that if the Parent Financial Company experiences or foresees any liquidity problems, the Parent Group will inject capital into the Parent Financial Company based on the latter's needs in order to ensure the latter's normal operations.
Annual Caps	For the deposit services: The annual cap for the year of 2017 is RMB619,859,000. The annual cap for the year of 2018 is RMB651,026,000. The annual cap for the year of 2019 is RMB683,192,000.

	For the bills acceptance and settlement services:
	The annual cap for the year of 2017 is RMB6,900,000.
	The annual cap for the year of 2018 is RMB9,600,000.
	The annual cap for the year of 2019 is RMB13,400,000.

B. Sales Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group will supply certain products to the Parent Group, including gold bar, silver/handicraft silver, copper cathodes, copper concentrate, natural gas, residual heat power generating, water, electricity, raw materials, auxiliary equipment, supporting materials, components, production equipment, tools, sulfuric acid, dump truck, waste materials and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB13,450,706,000. The annual cap for the year of 2018 is RMB14,848,027,000. The annual cap for the year of 2019 is RMB16,694,468,000.

C. Parent Group Purchase and Production Services Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will: (1) supply certain products to the Group, including scrap copper, blister copper, silver, anode plate, industrial cutting gas, liquefied gas, natural gas, copper concentrate, diesel fuel, equipment, wollastonite, gold concentrate and such other products as agreed by the parties from time to time; and (2) provide certain production services to the Group, including repair service, maintenance work, construction engineering, engineering labour, safe production costs, design and construction, technology research and development, processing of anode plates, processing of anode copper scrap, gas delivery management and maintenance, transportation, train loading and unloading, copper warehouse crane maintenance and repair, logistics maintenance services and such other production services as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB6,748,587,000. The annual cap for the year of 2018 is RMB7,812,730,000. The annual cap for the year of 2019 is RMB10,436,997,000.

D. CNMC Group Purchase and Production Services Framework Agreement

Date:	3 November 2016
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 maintenance work, supervision, construction, mine exploration and such other production services as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government prescribed price; (ii) if there is no applicable government prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB1,833,681,000. The annual cap for the year of 2018 is RMB2,298,958,000. The annual cap for the year of 2019 is RMB2,868,592,000.

E. Hongbo Purchase Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) Huangshi Hongbo
Nature of transactions:	Huangshi Hongbo will supply certain products to the Group, including materials, copper concentrate, blister copper and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on (i) the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB344,529,000. The annual cap for the year of 2018 is RMB372,979,000. The annual cap for the year of 2019 is RMB404,896,000.

F. Weixiang Purchase Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) Jiangsu Weixiang
Nature of transactions:	Jiangsu Weixiang will supply certain products to the Group, including materials, blister copper and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on (i) the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the market price.

	If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB244,650,000.
	The annual cap for the year of 2018 is RMB372,384,000.
	The annual cap for the year of 2019 is RMB584,490,000.

G. Hubei Gold Purchase Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company
	(2) Hubei Gold
Nature of transactions:	Hubei Gold will supply certain products to the Group, including copper concentrate and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on (i) the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure or (ii) a price determined by the internal documents of the Group developed with reference to the market price.
	If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB83,624,000.
	The annual cap for the year of 2018 is RMB97,883,000.
	The annual cap for the year of 2019 is RMB114,441,000.

H. Combined Ancillary Services Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will provide certain products and services to the Group, including advertising, gas delivery management, waste disposal, green conservation, vehicle rental, property management, bathhouse, food and beverage and accommodation, logistics service, mineral water, seedling, telecommunication and repair, water, electricity, telephone charges, property repair, training, materials and such other services as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price determined by the Company by way of a comprehensive evaluation method taking into account comparable quotes from at least two independent third parties obtained via public tender or price inquiry, or the price as negotiated by the parties if the relevant procurement does not require public tender or price inquiry procedure, or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB458,792,000. The annual cap for the year of 2018 is RMB488,604,000. The annual cap for the year of 2019 is RMB490,758,000.

I. Services Framework Agreement

Date:	3 November 2016
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, research and development, architectural and ore-dressing design, maneuvering wire improvement, technology development, blueprinting, technical consulting and such other services as agreed by the parties from time to time.

Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	Based on: (i) the government-prescribed price; or (ii) if there is no applicable government-prescribed price, the market price or a price determined by the internal documents of the Group developed with reference to the market price. If the prices and charges are determined based on or with reference to prices, exchange rates or tax rates stated in specific government documents, internal documents of the Group, exchanges or industry-related websites, the effective aforementioned documents, prices and rates at the time of the entry into of specific transaction agreements by the parties shall prevail.
Annual Caps	The annual cap for the year of 2017 is RMB10,990,000. The annual cap for the year of 2018 is RMB10,690,000. The annual cap for the year of 2019 is RMB10,540,000.

J. Daye Transportation Purchase Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) Daye Transportation
Nature of transactions:	Daye Transportation will supply certain products to the Group, including tyres, automobile parts and components and such other products as agreed by the parties from time to time.
Term:	1 January 2017 to 31 December 2019.
Pricing mechanism:	To be determined by annual tender with reference to the market conditions.
Annual Caps	The annual cap for the year of 2017 is RMB4,814,000. The annual cap for the year of 2018 is RMB4,830,000. The annual cap for the year of 2019 is RMB4,847,000.

K. Land Lease Framework Agreement

Date:	23 December 2011
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Parent Group will lease certain parcels of land to the Group.
Term:	From the date on which the Land Lease Framework Agreement takes effect in accordance with its terms until 31 December 2039.

Rent, fees and other payables:	Rent will be the annual depreciation amount of the relevant parcel of land, which will be calculated as the total amount paid by the owner of the land to the relevant government authorities for acquiring the relevant land use right, divided by the estimated useful life of such land. The lessee will also bear all the taxes and duties payable for the lease, which will be calculated by reference to the rent payable. Both the rent and the aggregate taxes and duties payable by the lessee for each parcel of land will be the same for each year during the term of the lease. The above pricing mechanism is adopted since the parcels of land to be leased by members of the Group from the Parent Group are located around the four mines and the smelting plant in Hubei held by the Group and there is no comparable land in the proximity and no corresponding market rent available for reference.
Annual Caps	The annual cap for the year of 2017 is RMB13,792,000. The annual cap for the year of 2018 is RMB13,792,000. The annual cap for the year of 2019 is RMB13,792,000.

L. Asset Lease Framework Agreement

Date:	3 November 2016
Parties:	(1) the Company (2) the Parent Company
Nature of transactions:	The Group will lease certain assets (including properties, vehicles and warehouses) to the Parent Group, and also guarantee that the Parent Group will have the exclusive right to use such assets during the term of the Asset Lease Framework Agreement. The Parent Group will lease certain assets (including sulfuric acid tank trucks, circulating water pump station, university student apartments, properties and production line (including properties and equipment)) to the Group, and also guarantee that the Group will have the exclusive right to use such assets during the term of the Asset Lease Framework Agreement.
Term:	1 January 2017 to 31 December 2019.
Pricing Mechanism:	Based on an at cost basis taking into account the amount of depreciation of the relevant asset, taxes relating to the lease and for properties with high asset value only, the capital occupation fee (determined with reference to the benchmark interest rate for 3 year term loans quoted by the People's Bank of China).
Annual Caps	For the Group's lease of assets to the Parent Group: The annual cap for the year of 2017 is RMB13,975,000. The annual cap for the year of 2018 is RMB13,975,000. The annual cap for the year of 2019 is RMB13,975,000. For the Parent Group's lease of assets to the Group: The annual cap for the year of 2017 is RMB23,704,000. The annual cap for the year of 2018 is RMB24,142,000. The annual cap for the year of 2019 is RMB24,178,000.

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 2016, the Group had 7,705 employees (2015: 8,345). The Group's total staff costs for the year was approximately RMB631,442,000 (2015: RMB741,760,000). 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 2016 and as of the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 44 to the consolidated financial statements, the Group had no other material event after the reporting period.

AUDITOR

Messrs. Deloitte Touche Tohmatsu ("Deloitte") was appointed as the auditor of the Company for the year ended 31 December 2016. Deloitte will retire and being eligible, offer themselves for re-appointments at the forthcoming annual general meeting of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte as the auditor of the Company.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

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 2016, 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.

On behalf of the Board
Zhang Lin
Chairman

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 2016 under different aspects.

CG CODE COMPLIANCE

For the year ended 31 December 2016, the Company had complied with the code provisions of the CG Code except for deviations from code provision A.4.1 of the CG Code as summarized below:

Pursuant to code provision A.4.1 of the CG Code, non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. All independent non-executive directors of the Company were not appointed for a specific term in their respective letter of appointment. However, they are still subject to retirement by rotation and re-election at least once every three years (after he was elected or re-elected) at the annual general meetings of the Company pursuant to the relevant provisions of the Company's Bye-laws, which achieves the same effect as having the non-executive Directors being appointed for a specific term.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 2016.

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 Director		
Zhang Lin *(Chairman)*	22 March 2012	30 May 2016
Long Zhong Sheng *(Chief Executive Officer)*	22 March 2012	18 May 2015
Zhai Baojin	22 March 2012	30 May 2016
Tan Yaoyu	22 March 2012	30 May 2016
Independent Non-Executive Director		
Wang Qihong	13 January 2006	18 May 2015
Wang Guoqi	13 January 2006	18 May 2015
Liu Jishun	31 July 2014	18 May 2015

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 to 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.

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 managers; 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 2016, 4 Board meetings and 2 general meetings of the Company were held. The meetings are structured to allow open discussion. At the Board meetings, the Directors participated in discussing the strategies, operational and financial performance, corporate governance policy and internal control of the Group.

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

	No. of meetings attended/ Eligible to attend	
Name of Director	**Board meeting**	**General meeting**
Executive Director		
Zhang Lin *(Chairman)*	4/4	2/2
Long Zhong Sheng *(Chief Executive Officer)*	4/4	2/2
Zhai Baojin	2/4	2/2
Tan Yaoyu	4/4	2/2
Independent Non-Executive Director		
Wang Qihong	4/4	2/2
Wang Guoqi	3/4	2/2
Liu Jishun	3/4	1/2

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

Notices of 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 with no conflict of interest in such matters would be present at the Board meetings to 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 written 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 2016, the Company provided two seminars to the Directors and the management of the Company on topics covering the latest developments of the Corporate Governance Code and the Listing Rules. All of the Directors attended these two seminars.

Permitted Indemnity Provisions

During the financial year ended 31 December 2016 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 Corporate Governance Code, the roles of the Chairman, Mr. Zhang Lin, and those of the Chief Executive Officer, Mr. Long Zhong Sheng, are segregated in order to reinforce their independence and accountability.

Mr. Zhang Lin 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 non-executive Directors were not appointed for a specific term under their respective letter of appointment. However, they are subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the relevant provisions of the Company's Bye-laws, which achieves the same effect as having the non-executive Directors being appointed for a specific term. In the Board meetings and Board committee meetings held during the year, constructive views and comments are given from the 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 2016, there were three independent non-executive Directors, representing more than one-third of the Board. Among the three independent non-executive Directors, one of them has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

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

COMPANY SECRETARY

The Company Secretary, Mr. Lau Pok Yuen, 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 day-to-day knowledge of the Company's 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 2016, the Company Secretary had taken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

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

BOARD COMMITTEES

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

Name of Director	Audit Committee	Remuneration Committee	Nomination Committee
Executive Director			
Zhang Lin *(Chairman)*	–	–	Chairman
Long Zhong Sheng	–	–	–
Zhai Baojin	–	–	–
Tan Yaoyu	–	–	–
Independent Non-Executive Director			
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 following table shows the breakdown of the Directors' remuneration for the year ended 31 December 2016:

		Other emoluments			
	Fees	**Salaries and other allowances**	**Retirement benefit scheme contributions**	**Bonus**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2016					
Executive Directors					
Mr. Zhang Lin	–	583	37	–	620
Mr. Long Zhong Sheng	1,401	–	52	488	1,941
Mr. Zhai Baojin	–	583	37	–	620
Mr. Tan Yaoyu	–	462	37	–	499
Independent Non-executive Directors					
Mr. Wang Guoqi	83	–	–	–	83
Mr. Wang Qihong	83	–	–	–	83
Mr. Liu Jishun	83	–	–	–	83
	1,650	1,628	163	488	3,929

During the year ended 31 December 2016, the Remuneration Committee held 1 meeting. The Remuneration Committee determined the policy for the remuneration of executive Directors, made recommendations to the Board on the remuneration of directors and assessed the performance of the executive Directors. Members of the Remuneration Committee and the attendance of each member are as follows:

Name of Director	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, diversity and composition of the Board, identifying individuals suitable and qualified to become Board members and making recommendations to the Board (regarding the selection of individuals nominated for directorship, the appointment of Directors and their succession planning) with due regard to the Nomination Committee's board diversity policy (the "Board Diversity Policy") and assessing the independence of the independent non-executive Directors.

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

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

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

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

Also, the Company recognizes and embraces the benefits of having a diverse Board. As such, the Nomination Committee formulated and adopted the Board Diversity Policy in August 2013 and the Nomination Committee has been delegated with the task of reviewing the Board Diversity Policy, the measurable objectives set for implementing the Board Diversity Policy, and the progress on achieving such objectives. 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 2016, the Nomination Committee held 1 meeting. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and expense) of the Board and also the policy for the nomination of Directors during the year.

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

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

Audit Committee

The principal duties of the Audit Committee include monitoring the integrity of the financial statements of the Company, reviewing the effectiveness of Company's internal control (including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget) and risk management as delegated by the Board, and making recommendations to the Board on the appointment and engagement of the external auditor for the audit and non-audit services. The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

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

Name of Director	Position	Role in Audit Committee	Meetings Attended/ Eligible to Attend
Wang Guoqi	Independent non-executive Director	Chairman	1/2
Wang Qihong	Independent non-executive Director	Member	2/2
Liu Jishun	Independent non-executive Director	Member	2/2

During the year ended 31 December 2016, the Audit Committee reviewed with the management the annual results, interim results and related announcement including the disclosures, financial reporting and the accounting policies adopted by the Group prior to the submission to the Board's approval; discussed with management on significant judgments affecting Group's consolidated financial statements and approved the appointment of auditor; reviewed and discussed the internal control report; reviewed and assessed the adequacy and effectiveness of the Company' internal control and risk management; and reviewed and monitored the external auditor's independence and objectivity and the effectiveness during the audit process.

The Board is responsible for preparing the financial statements that give a true and fair view of the financial position of the Group on a going concern basis. The Audit Committee has reviewed the Company's annual results and consolidated financial statements for the year ended 31 December 2016. 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 2016, Deloitte was appointed as the Group's auditor until the conclusion of next annual general meeting. The remuneration paid/payable to Deloitte in respect of their audit and non-audit services were as follow:

	2016 RMB'000
Audit Services	3,146
Non-audit Services	1,367
Total	4,513

The above non-audit services mainly included the review of the Group's interim report for the six months ended 30 June 2016 and the professional services rendered in connection with checking of statutory filing documents.

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

BOARD'S RESPONSIBILITIES FOR THE ACCOUNTS

The Board is responsible for the preparation of accounts for each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 December 2016, 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 management through internal meetings. The Board will discuss and consider the response 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 reason. It is responsible for conducting independent reviews of the adequacy and effectiveness of the Group's internal control and risk management systems.

The Audit Committee conducted a review on the effectiveness of the internal control and risk management systems and procedures of the Group on an annual basis. During the year ended 31 December 2016, the Audit Committee was satisfied that the Company's internal control and risk management systems are effective and adequate to meet the needs of the Company in its current business environment.

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

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

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

INVESTOR AND SHAREHOLDER RELATIONS

Communication with Shareholders and Investors

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders of the Company 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 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 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;
- disclosing information on a time basis via the Company's and Stock Exchange's website.

Convening of General Meetings

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

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

Shareholder's Rights

Procedures for Shareholders to convene an extraordinary general meeting

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

Procedures for Shareholders to put forward proposals at Shareholders' meetings

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

Procedures by which enquiries may be put to the Board

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

Contact details of the Company Secretary:
Mr. Lau Pok Yuen
18/F, 8 Queen's Road Central,
Central, 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.

Deloitte.
德勤

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

Opinion

We have audited the consolidated financial statements of China Daye Non-ferrous Metals Mining Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 73 to 158, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment, prepaid lease payments and mining rights	
We identified the impairment assessment of property, plant and equipment, prepaid lease payments and mining rights as disclosed in Note 4 to the consolidated financial statements as a key audit matter due to the significance of the balances of these assets, and of management judgements and assumptions involved as part of the impairment review. Any impairment charge could have a significant financial impact to the consolidated financial statements. The Group conducted an impairment review of these assets by assessing the recoverable amount of these assets based on a value-in-use calculation of the relevant groups of cash-generating units under Hong Kong Accounting Standard 36 – Impairment of Assets.	Our procedures in relation to impairment assessment of property, plant and equipment, prepaid lease payments and mining rights included: • Evaluating the appropriateness of the methodology and discount rate used in determining the recoverable amount of the relevant cash-generating units by involving our internal valuation specialists; • Evaluating the appropriateness of the key assumptions and inputs based on our knowledge of the mining industry and historical performance of the Group; • Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and • Examining management's sensitivity analysis over the key assumptions applied in the impairment review.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report which we obtained prior to the date of this auditor's report and the Environmental, Social and Governance Report which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

When we read the Environmental, Social and Governance Report, if we conclude that there is a material misstatement there in, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tung Wai Lung Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	Year ended 31 December **2016** **RMB'000**	2015 RMB'000
Revenue	5, 6	**38,915,713**	39,361,792
Cost of sales and services rendered	11	**(38,238,717)**	(39,308,260)
Gross profit		**676,996**	53,532
Other income	7	**95,516**	107,036
Selling expenses		**(49,232)**	(57,844)
Administrative expenses		**(355,127)**	(337,119)
Other operating expenses		**(10,281)**	(16,570)
Other gains and losses	8	**(66,183)**	(779,006)
Finance costs	9	**(416,556)**	(461,799)
Share of results of joint ventures		**8,119**	39,215
Loss before tax		**(116,748)**	(1,452,555)
Income tax (expense)/credit	10	**(48,004)**	262,330
Loss for the year	11	**(164,752)**	(1,190,225)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Share of net gain on revaluation of available-for-sale financial assets of joint ventures reclassified for inclusion in profit or loss upon disposal during the year		**–**	(71,164)
Other comprehensive expense for the year		**–**	(71,164)
Total comprehensive expense for the year		**(164,752)**	(1,261,389)
Loss for the year attributable to:			
Owners of the Company		**(163,484)**	(976,337)
Non-controlling interests		**(1,268)**	(213,888)
		(164,752)	(1,190,225)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(163,484)**	(1,047,501)
Non-controlling interests		**(1,268)**	(213,888)
		(164,752)	(1,261,389)
Loss per share	14		
– Basic		**RMB(0.91) fen**	RMB(5.52) fen
– Diluted		**RMB(0.91) fen**	RMB(5.52) fen

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	As 31 December 2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**7,550,233**	7,244,278
Exploration and evaluation assets	16	**63,427**	125,045
Prepaid lease payments	17	**693,460**	701,497
Intangible assets	18	**637,768**	605,210
Interests in joint ventures	19	**48,538**	40,419
Deferred tax assets	20	**182,020**	230,818
Restricted bank deposits	25, 28	**39,000**	–
Long term deposits	23	**70,710**	47,733
		9,285,156	8,995,000
CURRENT ASSETS			
Prepaid lease payments	17	**20,951**	20,443
Inventories	21	**4,806,747**	4,662,894
Trade and bills receivables	22	**423,874**	298,800
Prepayments and other receivables	23	**337,489**	746,772
Derivative financial instruments	24	**69,431**	5,201
Restricted deposits and bank balances	25	**35,691**	549,236
Bank and other deposits, bank balances and cash	25	**1,116,752**	1,293,899
		6,810,935	7,577,245
CURRENT LIABILITIES			
Trade and bills payables	26	**2,032,182**	1,657,143
Other payables and accrued expenses	27	**1,041,550**	1,472,135
Bank and other borrowings	28	**2,488,269**	3,579,419
Derivative financial instruments	24	**197,845**	82,109
Convertible note/bonds	30	**880,609**	669,908
Early retirement obligations	32	**4,380**	5,630
Income tax payable		**–**	866
		6,644,835	7,467,210
NET CURRENT ASSETS		**166,100**	110,035
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,451,256**	9,105,035

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	As 31 December 2016 RMB'000	2015 RMB'000
CAPITAL AND RESERVES			
Share capital	33	**727,893**	727,893
Share premium and reserves		**1,733,066**	1,896,550
Equity attributable to owners of the Company		**2,460,959**	2,624,443
Non-controlling interests		**158,140**	159,408
TOTAL EQUITY		**2,619,099**	2,783,851
NON-CURRENT LIABILITIES			
Bank and other borrowings	28	**6,293,293**	5,259,341
Convertible note	30	**–**	760,451
Payables for purchase of property, plant and equipment	27	**259,802**	–
Provision for mine rehabilitation, restoration and dismantling	29	**42,801**	41,554
Deferred income	31	**225,661**	243,720
Early retirement obligations	32	**10,600**	15,839
Deferred tax liabilities	20	**–**	279
		6,832,157	6,321,184
		9,451,256	9,105,035

The consolidated financial statements on pages 73 to 158 were approved and authorised for issue by the Board of Directors on 31 March 2017 and are signed on its behalf by:

Zhang Lin
DIRECTOR

Long Zhong Sheng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Equity attributable to owners of the Company												
	Share capital RMB'000	Other reserve RMB'000 (Note (iii))	Share premium RMB'000	Contributed surplus RMB'000 (Note (i))	Capital reserve RMB'000 (Note (ii))	Statutory reserves RMB'000 (Note (iv))	Convertible note/bonds equity reserve RMB'000 (Note 30)	Available-for-sale investment revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	705,506	1,554,303	–	4,373,075	(4,184,848)	106,600	281,298	71,164	20,348	618,325	3,545,771	373,296	3,919,067
Loss for the year	–	–	–	–	–	–	–	–	–	(976,337)	(976,337)	(213,888)	(1,190,225)
Other comprehensive expense for the year	–	–	–	–	–	–	–	(71,164)	–	–	(71,164)	–	(71,164)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(71,164)	–	(976,337)	(1,047,501)	(213,888)	(1,261,389)
Appropriation of maintenance and production funds	–	–	–	–	–	62,605	–	–	–	(62,605)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(62,605)	–	–	–	62,605	–	–	–
Issue of new ordinary shares upon conversion of convertible bonds (Notes 30 and 33)	22,387	–	103,786	–	–	–	–	–	–	–	126,173	–	126,173
Transfer upon conversion of convertible bonds (Note 30)	–	–	20,806	–	–	–	(20,806)	–	–	–	–	–	–
Reclassification due to change of functional currency of the Company (Note (v))	–	–	–	–	–	–	(155,853)	–	(14,472)	170,325	–	–	–
At 31 December 2015	727,893	1,554,303	124,592	4,373,075	(4,184,848)	106,600	104,639	–	5,876	(187,687)	2,624,443	159,408	2,783,851
At 1 January 2016	**727,893**	**1,554,303**	**124,592**	**4,373,075**	**(4,184,848)**	**106,600**	**104,639**	**–**	**5,876**	**(187,687)**	**2,624,443**	**159,408**	**2,783,851**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(163,484)**	**(163,484)**	**(1,268)**	**(164,752)**
Appropriation of maintenance and production funds	**–**	**–**	**–**	**–**	**–**	**63,993**	**–**	**–**	**–**	**(63,993)**	**–**	**–**	**–**
Utilisation of maintenance and production funds	**–**	**–**	**–**	**–**	**–**	**(63,993)**	**–**	**–**	**–**	**63,993**	**–**	**–**	**–**
Redemption of convertible bonds (Note 30)	**–**	**–**	**–**	**–**	**–**	**–**	**(104,639)**	**–**	**–**	**104,639**	**–**	**–**	**–**
At 31 December 2016	**727,893**	**1,554,303**	**124,592**	**4,373,075**	**(4,184,848)**	**106,600**	**–**	**–**	**5,876**	**(246,532)**	**2,460,959**	**158,140**	**2,619,099**

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 to be 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 acquisition of entire issued share capital of Prosper Well Group Limited ("Prosper Well", a company incorporated in British Virgin Islands ("BVI") with limited liability) from China Times Development Limited ("China Times") and China Cinda (HK) Asset Management Co., Limited ("Cinda HK") by the allotment and issue of 10,799,762,092 and 936,953,542 ordinary shares of the Company with nominal value of HK$0.05 each (collectively referred to as the "Consideration Shares") to China Times and Cinda HK, respectively, as well as the issue of HK$1,003,836,048 zero coupon convertible note to China Times during the year ended 31 December 2012 (the "Transaction").

The Transaction was completed on 7 March 2012 and has been accounted for as a reverse acquisition under Hong Kong Financial Reporting Standard 3 *Business Combinations* because the issuance of the Consideration Shares and the convertible note in exchange of the entire shareholding in Prosper Well resulted in China Times, previously holding 20.8% shareholding in the Company, becoming the controlling shareholder of the Company holding 69.04% equity interests upon completion of the Transaction. For accounting purpose, the Company is deemed to have been acquired by Prosper Well which is deemed as the accounting acquirer. These consolidated financial statements have been prepared as a continuance of the consolidated financial statements of Prosper Well.

Details of the Transaction are set out in the Company's circular dated 29 December 2011 and the Company's supplemental circular dated 17 February 2012.

(iii) Other reserve represents the deemed consideration to be given by Prosper Well for the Transaction, being the fair value of the Company's shares immediately prior to the Transaction excluding the carrying amount of ordinary share capital of the Company.

(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 (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 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.

(v) Prior to 2015, the functional currency of the companies comprising the Group is Renminbi ("RMB"), except that the functional currency of the Company and its certain subsidiaries is Hong Kong Dollar ("HK$"). During the year ended 31 December 2015, the directors of the Company (the "Directors") re-assessed the accounting policy in determining the functional currency of the Company and considered paragraph 9 of HKAS 21 *The Effects of Changes in Foreign Exchange Rates* ("HKAS 21") together with the other factors set out in paragraph 10 of HKAS 21. The Directors have determined that RMB better reflects the economic substance of the Company and its business activities as an investment holding company with subsidiaries mainly operating in the PRC since the date of completion of the reverse acquisition on 7 March 2012 (see details in Note (ii)). Accordingly, the functional currency of the Company was retrospectively changed from HK$ to RMB. The retrospective change of functional currency of the Company has no material effects on the financial positions of the Group as at 31 December 2014 and 1 January 2014 and its financial performance for the year ended 31 December 2014. In addition, certain reserves have been reclassified to retained profits.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(116,748)**	(1,452,555)
Adjustments for:		
Interest income	**(61,344)**	(65,046)
Finance costs	**416,556**	461,799
Share of results of joint ventures	**(8,119)**	(39,215)
Exchange losses, net	**125,732**	188,355
Depreciation and amortisation	**589,217**	585,125
Loss on disposal of property, plant and equipment, net	**4,640**	1,688
Impairment loss/(reversal of impairment loss) on trade receivables	**169**	(781)
Impairment loss/(reversal of impairment loss) on other receivables	**5**	(117)
(Gains)/losses on fair value changes in respect of:		
Commodity derivatives contracts	**(5,903)**	(7,280)
Currency forward contracts	**(24,835)**	(280)
Gold forward contracts	**192,437**	–
Gold loans and silver loans designated as financial liabilities at fair value through profit or loss	**(171,211)**	31,237
Fair value gain on derivative component on convertible note	**(19,381)**	(5,120)
Write-down of inventories, net	**14,110**	612,280
Impairment recognised in respect of:		
Property, plant and equipment	**1,859**	344,705
Mining rights	**–**	221,966
Prepaid lease payments	**–**	982
Deferred income recognised	**(18,007)**	(18,482)
Premium on redemption of convertible bonds	**10,397**	–
Operating cash flows before movements in working capital	**929,574**	859,261
Increase in inventories	**(157,963)**	(780,210)
Decrease in derivative financial instruments	**82,244**	63,274
(Increase)/decrease in trade and bills receivables	**(238,604)**	189,175
Decrease/(increase) in prepayments and other receivables	**337,369**	(121,895)
Increase in trade and bills payables	**375,039**	529,614
(Decrease)/increase in other payables and accrued expenses	**(117,675)**	3,168
Decrease/(increase) in other deposits	**109,815**	(23,894)
Benefits paid for early retirement and employee medical obligations	**(6,949)**	(9,039)
Cash generated from operations	**1,312,850**	709,454
Income taxes paid	**(351)**	(1,095)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,312,499**	708,359

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**58,198**	77,074
Dividends from a joint venture	**–**	40,597
Payments for property, plant and equipment	**(670,226)**	(683,143)
Payments for exploration and evaluation assets	**(6,820)**	(12,650)
Payments for intangible assets	**(1,180)**	(3,240)
Payments for prepaid lease payments	**(13,422)**	(18,704)
Proceeds from disposal of property, plant and equipment	**204**	4,593
Receipts of government grants	**526**	34,240
Advance to joint ventures	**–**	(136,547)
Repayment from joint ventures	**47,953**	–
Placement of restricted bank deposits and bank balances	**(325,607)**	(3,615,047)
Release of restricted bank deposits and bank balances	**729,337**	3,982,537
Placement of pledged deposits for other loans	**(39,000)**	–
Payments for short-term investments	**(100,000)**	–
Proceeds from disposal of short-term investments	**101,745**	–
NET CASH USED IN INVESTING ACTIVITIES	**(218,292)**	(330,290)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new borrowings	**7,167,482**	15,869,076
Repayments of borrowings	**(7,381,184)**	(16,096,112)
Proceeds from other loans	**500,000**	–
Repayments of other loans	**(500)**	–
Advance from Daye Nonferrous Metals Group Holding Co., Ltd ("Daye Group", an intermediate holding company of the Company)	**561,061**	13,012
Repayment to Daye Group	**(1,032,396)**	(263,957)
Advance from Daye Nonferrous Metals Group Finance Co., Ltd ("Daye Finance Company", a fellow subsidiary of the Company)	**352,000**	404,138
Repayment to Daye Finance Company	**(305,000)**	(250,675)
Advance from a fellow subsidiary	**114,488**	–
Advance from a joint venture	**–**	135,850
Repayment to a joint venture	**(230,677)**	–
Finance costs paid	**(322,566)**	(307,523)
Repayment of convertible bonds	**(694,397)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(1,271,689)**	(496,191)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(177,482)**	(118,122)
Cash and cash equivalents at beginning of the year	**1,293,899**	1,401,186
Effects of exchange rate changes on the balance of cash held in foreign currencies	**335**	10,835
Cash and cash equivalents at the end of the year	**1,116,752**	1,293,899
REPRESENTED BY:		
Bank and other deposits, bank balances and cash	**1,116,752**	1,293,899

1. GENERAL INFORMATION

China Daye Non-Ferrous Metals Mining Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The address of the registered office and principal place of business of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and 18th Floor, 8 Queen's Road Central, Central, Hong Kong, respectively.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally involved in mining and processing of mineral ores and selling/trading of metal products. In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Company is China Non-ferrous Metal Mining (Group) Co., Ltd., a state-owned enterprise established in the People's Republic of China (the "PRC").

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 10, and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2014-2016 Cycle*[5]

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

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

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the Directors do not anticipate that the application of other amendments to HKFRSs will have a material impact on amounts reported in the Group's consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 which are relevant to the Group are:

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

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

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

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

HKFRS 9 *Financial Instruments* (Continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2016, except for the expected credit loss model which may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and the changes in fair value of the Group's gold loans designated at fair value through profit or loss that are attributable to changes in credit risk would be presented in other comprehensive income and are not subsequently reclassified to profit or loss, the Directors anticipate that the adoption of HKFRS 9 in the future would not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2016. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Except for the potential impact on the amounts of certain revenue recognised which is subject to variable consideration constraints and more disclosures relating to revenue is required, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the HKAS 17 *Leases* and the related Interpretations when it becomes effective.

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

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

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is an operating lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned. As at 31 December 2016, carrying amount of prepaid lease payments amounting to RMB714,411,000 (2015: RMB721,940,000). Further details are set out in Note 17.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB296,114,000 (2015: RMB311,875,000) as disclosed in Note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. In addition, the application of new requirements may results changes in measurement, presentation of prepaid lease payments for leasehold lands and disclosures as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

Upon application of HKFRS 16, assessing whether the transfer of the asset is a sale for sale and leaseback transactions will be based on the requirements of HKFRS 15 *Revenue from Contracts with Customers*. The sale and leaseback transactions entered into by the Group as disclosed in Note 28 do not satisfy the requirements of HKFRS 15 as sales of assets and hence will be considered as collateralised borrowings under HKFRS 16.

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

Amendments to HKAS 7 *Disclosure Initiative*

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

The Directors anticipate that the application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided upon application.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below:

Basis of consolidation

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

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

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

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

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

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

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

Investments in joint ventures

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in joint ventures (Continued)

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

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

When a group entity transacts with a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognised in the consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Property, plant and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

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

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

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

Construction in progress, which represents assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss, if any. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the basis as other assets, commences when the assets are ready for their intended use in accordance with the policy as set out above.

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.

Details of these capitalised expenditures are set out in Note 16.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation expenditures (Continued)

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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Amortisation for mining rights is provided on a straight-line basis over their respective licence periods of 3 to 23 years. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 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.

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

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 units, 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.

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of 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. 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. If this results in an amount being allocated to an asset less than its pro-rata share of the impairment loss, the amount of the impairment loss that would otherwise have been allocated to the asset will be re-allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value.

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.

Costs of inventories are determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Leasing

A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement.

An arrangement that involves a legal form of a lease is not, in substance, accounted for as a lease if:

(a) the Group retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;

(b) the primary reason for the arrangement is not to convey the right to use an asset; and

(c) an option is included on terms that make its exercise almost certain.

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

The Group as lessor

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (Continued)

Leasehold land and buildings

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "Prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision for mine rehabilitation, restoration and dismantling

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

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

Research costs

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets 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.

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "Other gains and losses" line item. Fair value is determined in the manner described in Note 35.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of "Available-for-sale investment revaluation reserve". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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 the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

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

A financial liability is classified as 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 that is not designated and effective as a hedging instrument.

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes interest paid on the financial liabilities and is included in other gains and losses line item. Fair value is determined in the manner described in Note 35.

Convertible note/bonds

The component parts of compound/hybrid instruments (convertible bonds/note) issued by the Company are classified separately in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible note/bonds (Continued)

Where the conversion option is classified as an equity instrument, at the date of issue, the fair value of the debt component is estimated using the prevailing market interest of similar non-convertible instruments. The amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished, upon conversion or at the instrument's maturity date. The conversion option classified as equity is determined by deducting the amount of the debt component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects (if any), and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option. Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the debt component are included in the carrying amount of the debt component and are amortised over the period of the convertible bonds using the effective interest method.

Where the conversion option is conversion option derivative, at the date of issue, both the debt component and derivative component (including the conversion option and the redemption option) are recognised at fair value. In subsequent periods, the debt component of the convertible note is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss. Transaction costs that relate to the issue of the convertible note are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs that relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible note using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and bills payables, other payables, bank and other borrowings (other than gold loans and silver loans)) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

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 immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derivative financial instruments (Continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, and is shown net of value-added tax.

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

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

Service income from the rendering of copper processing services is recognised when services are provided.

Rental income in respect of properties under operating leases is recognised on a straight-line basis over the respective lease.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

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

Government grants

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

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

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 cost of an asset.

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

Pension obligation

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

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

Early retirement obligations

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

Other social insurance and housing funds

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of property, plant and equipment, prepaid lease payments and mining rights

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

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 belongs.

Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

During the year, the Group recognised losses on impairment of property, plant and equipment of RMB1,859,000 (2015: RMB344,705,000). No impairment loss has been recognised for prepaid lease payments (2015: RMB982,000) and mining rights (2015: RMB221,966,000) in the current year. The impairment made in the prior year was in relation to certain of the Group's copper mines in the PRC in view of the unfavourable future prospects of the relevant copper mines. Further details are set out in Notes 15 and 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditure requires determination whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, facts and circumstances change and new information becomes available suggesting that the recoverable amounts of capitalised expenditures are less than its carrying amounts, the amount capitalised is written off in profit or loss in the period when the new information becomes available. The carrying amount of exploration and evaluation assets at the end of reporting period was detailed in Note 16.

Deferred tax

At 31 December 2016, deferred tax assets of RMB182,020,000 (31 December 2015: RMB230,818,000) mainly in relation to tax losses, impairment losses of non-current assets and write-down of inventories have been recognised. The amount of unrecognised tax losses and unrecognised deductible temporary differences as at 31 December 2016 was RMB654,626,000 (31 December 2015: RMB425,663,000) and RMB500,930,000 (2015: RMB500,930,000), respectively. Further details are contained in Note 20. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. The Directors determine the deferred tax assets based on the enacted or substantially enacted tax rates and the best knowledge of profit projections of the relevant subsidiaries for coming years during which the deferred tax assets are expected to be utilised. The Directors will review the assumptions and profit projections by the end of each reporting period. In cases where the actual future profits generated are less or more than expected resulting from revision of estimated future profits, a reversal or further provision of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further provision takes place.

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective estimation involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related depreciation rate of mining infrastructure and property. The carrying amount of mining infrastructure and property and the related depreciation was detailed in Note 15.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after trade discounts and sales related tax, for the year.

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Sales of goods	**38,878,059**	39,309,093
Rendering of services	**37,654**	52,699
	38,915,713	39,361,792

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 delivered or provided. The CODM of the Company reviews revenue by respective products and services and the consolidated financial statements of the Group prepared in accordance with HKFRSs as a whole. However, no further discrete financial information is available. Accordingly, no operating segment information is presented other than entity-wide disclosures.

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Sales of goods:		
Copper cathodes	**21,273,301**	27,655,532
Other copper products	**1,062,384**	871,361
Gold and other gold products	**10,592,743**	6,669,341
Silver and other silver products	**5,432,849**	3,411,282
Sulphuric acid and sulphuric concentrate	**107,943**	269,376
Iron ores	**117,055**	91,880
Others	**291,784**	340,321
	38,878,059	39,309,093
Rendering of services:		
Copper processing	**32,577**	43,675
Others	**5,077**	9,024
	37,654	52,699
Total revenue	**38,915,713**	39,361,792

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 at 31 December	
	2016	2015
	RMB'000	RMB'000
PRC	**9,014,861**	8,722,641
Hong Kong	**49,050**	41,290
Mongolia	**225**	251
	9,064,136	8,764,182

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

	Revenue from external customers for the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
PRC	**38,050,232**	38,716,751
Hong Kong	**599,745**	143,608
Others	**265,736**	501,433
	38,915,713	39,361,792

Information about major customers

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Customer A – in respect of sales of gold	**10,488,053**	6,553,114
Customer B – in respect of sales of copper cathodes	**5,241,045**	5,615,271
	15,729,098	12,168,385

7. OTHER INCOME

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest income from banks	**51,106**	59,866
Interest income from Daye Finance Company	**10,238**	5,180
Value-added tax refund	**13,165**	12,366
Government grants (Note)	**3,000**	11,142
Deferred income recognised (Note 31)	**18,007**	18,482
	95,516	107,036

Note: The government grants in the current year mainly represented subsidies for research and development expenses of which the relevant expenses had been previously charged to profit or loss. The government grants in the prior year mainly represented subsidies for interest incurred on imported copper ores.

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment, net	**(4,640)**	(1,688)
Impairment recognised in respect of:		
Property, plant and equipment (Note 15)	**(1,859)**	(344,705)
Prepaid lease payments (Note 17)	**–**	(982)
Mining rights (Note 18)	**–**	(221,966)
Fair value changes from:		
Commodity derivatives contracts	**5,903**	7,280
Currency forward contracts	**24,835**	280
Gold forward contracts	**(192,437)**	–
Gold loans and silver loans designated as financial liabilities at fair value through profit or loss	**171,211**	(31,237)
(Impairment loss)/reversal of impairment loss, net on:		
Trade receivables (Note 22)	**(169)**	781
Other receivables (Note 23)	**(5)**	117
Fair value gain on derivative component of convertible note (Note 30)	**19,381**	5,120
Exchange losses, net	**(83,319)**	(194,277)
Premium on redemption of convertible bonds (Note 30)	**(10,397)**	–
Others	**5,313**	2,271
Total other gains and losses	**(66,183)**	(779,006)

9. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest on bank and other borrowings	**277,298**	286,782
Interest on loans from Daye Group	**60,206**	75,986
Interest on loans from Daye Finance Company	**15,763**	6,763
Interest on loans from a fellow subsidiary	**4,411**	–
Interest on convertible note/bonds (Note 30)	**102,219**	134,306
Unwind interest of provision for mine rehabilitation, restoration and dismantling (Note 29)	**1,247**	1,210
Unwind interest of early retirement obligations (Note 32)	**460**	900
Total borrowing costs	**461,604**	505,947
Less: Borrowing costs capitalised in the cost of qualifying assets	**(45,048)**	(44,148)
	416,556	461,799

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 5.66% (2015: 5.59%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSES/(CREDIT)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**77**	774
Hong Kong	**–**	556
Over provision in prior years:		
Hong Kong	**(592)**	–
Deferred tax (Note 20)	**48,519**	(263,660)
	48,004	(262,330)

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

No provision for Hong Kong profits tax for the year has been made as the Group has no assessable profit generated in Hong Kong for the year. Hong Kong profits tax for the prior year was calculated at 16.5% of the estimated assessable profit for that year.

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

10. INCOME TAX EXPENSES/(CREDIT) (CONTINUED)

Income tax expense/(credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Loss before tax	**116,748**	1,452,555
Tax at the domestic income tax rate of 25% (2015: 25%) (Note (i))	**(29,187)**	(363,139)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**13,064**	13,114
Tax effect of tax concession of research and development costs	**(1,084)**	(863)
Tax effect of income not subject to tax (Note (ii))	**(33,480)**	(37,116)
Tax effect of expenses not deductible for tax purpose	**34,474**	14,010
Tax effect of deductible temporary differences not recognised	**–**	55,028
Tax effect of share of results of joint ventures	**(2,030)**	(9,804)
Tax effect of tax losses not recognised	**58,631**	75,237
Others	**7,616**	(8,797)
Income tax expense/(credit) for the year	**48,004**	(262,330)

Notes:

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

(ii) Income not subject to tax mainly represents exempted income from the Group's sales of metal products produced using prescribed resources, including silver and vitriol, pursuant to the Article 33 of the EIT Law and the Article 99 of the PRC EIT Detailed Implementation Regulations. According to these tax regulations, 10% of the income derived from the sales of particular products can be deducted from taxable income of an entity if it utilises certain prescribed resources, that are not restricted or prohibited by the PRC government and satisfy the relevant state and industrial criteria, as the major materials in the production of those products.

11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Depreciation of property, plant and equipment**	**531,206**	534,735
Amortisation of intangible assets**	**37,060**	29,947
Amortisation of prepaid lease payments**	**20,951**	20,443
Auditor's remuneration	**3,682**	3,361
Employee benefits expense (including Directors' remuneration as disclosed in Note 12)***:		
Salaries, wages and welfare	**507,568**	606,249
Retirement benefit scheme contributions	**123,874**	135,511
Total staff costs	**631,442**	741,760
Cost of sale and services rendered:		
Cost of inventories recognised as an expense*	**38,206,107**	39,233,691
Direct operating expense arising from services provided	**32,610**	74,569
	38,238,717	39,308,260
Research costs recognised as an expense	**8,670**	6,905
Minimum lease payments in respect of land and buildings	**16,637**	15,194

* Write-down of inventories of RMB14,110,000 (2015: RMB612,280,000), which is included in cost of inventories, is mainly attributable to the decline in the price of certain raw materials. The materials are written down to net realisable value when the costs of the finished products are expected to exceed their net realisable values.

** During the year, depreciation of property, plant and equipment of RMB514,665,000 (2015: RMB525,328,000), and amortisation of intangible assets and prepaid lease payments totaling RMB27,944,000 (2015: RMB28,928,000) was capitalised to inventories.

*** During the year, employee benefits expenses of RMB553,795,000 (2015: RMB662,656,000) were capitalised to inventories.

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

Directors and Chief Executive Officer

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

		Other emoluments			
	Fees	**Salaries and other allowances**	**Retirement benefit scheme contributions**	**Bonus**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2016					
Executive Directors					
Mr. Zhang Lin	**–**	**583**	**37**	**–**	**620**
Mr. Long Zhong Sheng (Note (a))	**1,401**	**–**	**52**	**488**	**1,941**
Mr. Zhai Baojin	**–**	**583**	**37**	**–**	**620**
Mr. Tan Yaoyu	**–**	**462**	**37**	**–**	**499**
Independent Non-executive Directors					
Mr. Wang Guoqi	**83**	**–**	**–**	**–**	**83**
Mr. Wang Qihong	**83**	**–**	**–**	**–**	**83**
Mr. Liu Jishun	**83**	**–**	**–**	**–**	**83**
	1,650	**1,628**	**163**	**488**	**3,929**
2015					
Executive Directors					
Mr. Zhang Lin	–	1,058	35	–	1,093
Mr. Long Zhong Sheng (Note (a))	1,211	–	14	474	1,699
Mr. Zhai Baojin	–	1,058	35	–	1,093
Mr. Tan Yaoyu	–	585	35	–	620
Independent Non-executive Directors					
Mr. Wang Guoqi	80	–	–	–	80
Mr. Wang Qihong	80	–	–	–	80
Mr. Liu Jishun	80	–	–	–	80
	1,451	2,701	119	474	4,745

Notes:

(a) Mr. Long Zhong Sheng is the Chief Executive Officer of the Company in 2016 and 2015 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

12. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Directors and Chief Executive Officer (Continued)

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of affairs of the Company and 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 (2015: three) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2015: two) individuals were as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and other allowances	**1,042**	1,267
Retirement benefit scheme contributions	**74**	69
	1,116	1,336

The emoluments of the above employees were within the following bands:

	2016	2015
	Number of employees	
HK$ nil to HK$1,000,000	**2**	2

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

13. DIVIDENDS

No dividend was paid or proposed for shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

14. LOSS PER SHARE

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(163,484)**	(976,337)

	'000	'000
Number of ordinary shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**17,895,580**	17,694,734

The computation of diluted loss per share for the years ended 31 December 2016 and 2015 does not assume the conversion of the Company's outstanding convertible note and convertible bonds since their exercise would result in a decrease in loss per share for the years ended 31 December 2016 and 2015.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining infrastructure and property	Plant and machinery	Motor vehicles	Electricity equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2015	4,431,741	1,119,018	3,173,488	153,410	60,909	1,625,892	10,564,458
Additions	–	–	97,695	3,824	1,455	572,278	675,252
Interest capitalised (Note 9)	–	–	–	–	–	44,148	44,148
Reclassification	3,656	384,218	53,431	–	–	(441,305)	–
Disposals	(10,199)	–	(10,375)	(3,174)	(523)	–	(24,271)
At 31 December 2015	4,425,198	1,503,236	3,314,239	154,060	61,841	1,801,013	11,259,587
Additions	22,718	–	66,521	23,531	344	685,702	798,816
Interest capitalised (Note 9)	–	–	–	–	–	45,048	45,048
Reclassification	1,002,344	427,672	85,219	–	234	(1,515,469)	–
Disposals	(4,193)	–	(98,761)	(5,458)	(16,609)	–	(125,021)
At 31 December 2016	5,446,067	1,930,908	3,367,218	172,133	45,810	1,016,294	11,978,430
Accumulated depreciation:							
At 1 January 2015	(1,163,314)	(436,364)	(1,454,548)	(77,783)	(21,850)	–	(3,153,859)
Provided for the year	(225,973)	(79,246)	(213,371)	(13,244)	(2,901)	–	(534,735)
Eliminated on disposals	9,544	–	5,935	2,453	58	–	17,990
At 31 December 2015	(1,379,743)	(515,610)	(1,661,984)	(88,574)	(24,693)	–	(3,670,604)
Provided for the year	(222,674)	(81,286)	(190,681)	(17,383)	(19,182)	–	(531,206)
Eliminated on disposals	1,787	–	96,776	5,286	16,328	–	120,177
At 31 December 2016	(1,600,630)	(596,896)	(1,755,889)	(100,671)	(27,547)	–	(4,081,633)
Accumulated impairment:							
At 1 January 2015	–	–	–	–	–	–	–
Impairment loss recognised in profit or loss (see below)	(14,569)	(5,403)	(29,177)	(304)	(2,963)	(292,289)	(344,705)
At 31 December 2015	(14,569)	(5,403)	(29,177)	(304)	(2,963)	(292,289)	(344,705)
Impairment loss recognised in profit or loss (see below)	(1,017)	–	–	–	–	(842)	(1,859)
Reclassification	(164,593)	(89,557)	(23,874)	–	(70)	278,094	–
At 31 December 2016	(180,179)	(94,960)	(53,051)	(304)	(3,033)	(15,037)	(346,564)
Carrying values:							
At 31 December 2016	3,665,258	1,239,052	1,558,278	71,158	15,230	1,001,257	7,550,233
At 31 December 2015	3,030,886	982,223	1,623,078	65,182	34,185	1,508,724	7,244,278

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment

As at 31 December 2016, the Group recognised losses on impairment of buildings and construction in progress of RMB1,017,000 and RMB842,000, respectively, which related to a copper mine that has ceased operation. The impairment losses recognised for the above non-current assets have been included in profit or loss in the "Other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

In the prior year, in view of the unfavourable future prospects of certain of the copper mines held by three subsidiaries of the Group, namely Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("Hui Xiang"), Xinjiang Tong Xing Mining Co., Ltd. ("Tong Xing") and Daye Non-ferrous Metals Co, Ltd. ("Hubei Daye"), management of the Group has conducted impairment testing for the major non-current assets, including property, plant and equipment, prepaid lease payments and mining rights, attributable to these copper mines.

As at 31 December 2015, the carrying amounts of property, plant and equipment, prepaid lease payments and mining rights (net of depreciation/amortisation and accumulated impairment losses) attributable to these copper mines and the accumulated impairment loss recognised are as follows:

	Property, plant and equipment RMB'000	**Prepaid lease payments** RMB'000 (Note 17)	**Mining rights** RMB'000 (Note 18)	**Total** RMB'000
Carrying amounts (before deducting impairment loss)				
Tong Xing (Note (a))	38	–	31,711	31,749
Hubei Daye (Note (a))	52,542	–	–	52,542
Hui Xiang (Note (b))	977,359	6,905	340,255	1,324,519
Total	1,029,939	6,905	371,966	1,408,810
Impairment loss recognised				
Tong Xing (Note (a))	(38)	–	(31,711)	(31,749)
Hubei Daye (Note (a))	(52,542)	–	–	(52,542)
Hui Xiang (Note (b))	(292,125)	(982)	(190,255)	(483,362)
Total	(344,705)	(982)	(221,966)	(567,653)
Net carrying amount	685,234	5,923	150,000	841,157

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment (Continued)

Notes:

(a) For the copper mines held by Tong Xing and Hubei Daye which have unfavourable future prospects, full impairment was recognised for the assets attributable to these copper mines in the prior year upon management's decision to cease their operations during that year. The management of the Group considered that the fair value less costs of disposal of the related assets are insignificant.

(b) Hui Xiang holds one copper mine and due to the forecasted low selling price of its copper products and expected decrease in profit margin as a results of the slowdown of the global economy, an aggregate impairment loss of RMB483,362,000 was recognised for the assets attributable to its copper mine during the prior year. These assets mainly represent construction in progress which mainly comprising mining infrastructure and property, electricity equipment, plant and equipment and mining rights, and impairment loss is allocated on a pro-rata basis to the relevant assets within the cash-generating unit based on the carrying amounts.

The recoverable amount of the copper mine held by Hui Xiang (a cash-generating unit) as at 31 December 2015 was RMB841 million and has been determined based on a value in use calculation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), independent qualified professional valuers not connected with the Group, using the income approach.

The following describes each key assumption which management has based to prepare its cash flow projections to undertake impairment testing of the cash-generating unit as at 31 December 2015:

Budgeted gross margins
Management determined budgeted gross margin based on past performance and its expectations for market development.

Raw materials price inflation
The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

Discount rate
The discount rate used reflect specific risks relating to the cash-generating unit was 10.7% per annum, and the growth rate used to extrapolate the cash flows beyond the five-year period was 2%.

The values assigned to the key assumptions on discount rate and raw materials price inflation are consistent with external information sources. The Directors believe these major assumptions are reasonable and achievable.

In the opinion of the Directors, any reasonably possible change in the key assumptions, including budgeted gross margin and discount rate, on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

16. EXPLORATION AND EVALUATION ASSETS

	RMB'000
At 1 January 2015	188,361
Additions	12,650
Transfer to mining rights (Note 18)	(75,966)
At 31 December 2015	125,045
Additions	6,820
Transfer to mining rights (Note 18)	(68,438)
At 31 December 2016	63,427

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.

17. PREPAID LEASE PAYMENTS

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Non-current assets (Note)	**693,460**	701,497
Current assets	**20,951**	20,443
	714,411	721,940

Note: The amount is after deducting accumulated impairment loss of RMB982,000 provided during the prior year (see Note 15 for details).

18. INTANGIBLE ASSETS

	Mining rights RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2015	1,261,222	11,708	1,272,930
Additions	79,136	70	79,206
At 31 December 2015	1,340,358	11,778	1,352,136
Additions	68,438	1,180	69,618
At 31 December 2016	1,408,796	12,958	1,421,754
Accumulated amortisation and impairment:			
At 1 January 2015	(489,198)	(5,815)	(495,013)
Amortisation	(28,875)	(1,072)	(29,947)
Impairment (Note)	(221,966)	–	(221,966)
At 31 December 2015	(740,039)	(6,887)	(746,926)
Amortisation	(35,847)	(1,213)	(37,060)
At 31 December 2016	(775,886)	(8,100)	(783,986)
Carrying amounts:			
At 31 December 2016	632,910	4,858	637,768
At 31 December 2015	600,319	4,891	605,210

Note:

During the prior year, the Group recognised losses on impairment of mining rights of RMB31,711,000 and RMB190,255,000 in relation to certain of the Group's copper mines in Xinjiang Uygur Autonomous Region in the PRC held by Tong Xing and Hui Xiang, respectively, in view of the unfavourable future prospects of the relevant copper mines due to the forecasted low selling price of their copper products and expected decrease in profit margin as a result of the slowdown of the global economy.

As mentioned in Note 15(a), full impairment was recognised for the assets attributable to the copper mine held by Tong Xing in the prior year upon management's decision to cease their operations during that year. The management of the Group considered that the fair value less costs of disposal of the related assets are insignificant as at 31 December 2015.

For the purpose of impairment assessment, the recoverable amount of the mining right held by Hui Xiang is determined together with the non-current assets attributable to the related copper mine (together with the mining right as a cash-generating unit). Details of which are mentioned in Note 15(b).

The loss on impairment of mining rights has been included in profit or loss in the "Other gains and losses" line item.

During the current year, due to the change of the future business plan of Hui Xiang, the Group reviewed the carrying amounts of the non-current assets attributable to the copper mine held by Hui Xiang to determine whether there is any indication that those assets have suffered a further impairment loss in the current year. An updated value in use calculation has been performed by the management of the Group using the same approach in the prior year to assess the impact on the change of the future business plan of Hui Xiang. Based on management's assessment, there is no indication for further impairment of those assets and therefore, no further impairment loss is required in the current year.

19. INTERESTS IN JOINT VENTURES

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

	At 31 December 2016 RMB'000	2015 RMB'000
Cost of investments in joint ventures, unlisted	**64,702**	64,702
Share of post-acquisition results and other comprehensive income/(expense), net of dividends received	**(16,164)**	(24,283)
	48,538	40,419

Details of the Group's principal joint ventures at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ establishment	Principal place of operation	Proportion of ownership interest held by the Group 2016	2015	Proportion of voting rights held by the Group 2016 (Note (i))	2015	Principal activities
China Daye Hong Kong Investment Limited ("China Daye HK")	Hong Kong	Hong Kong	95%	95%	50%	50%	Trading of metals and minerals
Shenzhen Rainbow Nonferrous Metals Co., Ltd ("Shenzhen Rainbow")	PRC	PRC	95%	95%	50%	50%	Investment holding and trading of metals and minerals

Note:

(i) Pursuant to the relevant shareholders' agreement of the above entities, resolutions of shareholders' meetings and directors' meetings require unanimous consent of the Group and another shareholder of these entities.

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures

Summarised financial information in respect of each of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

	At 31 December 2016		At 31 December 2015	
	China Daye HK RMB'000	**Shenzhen Rainbow RMB'000**	China Daye HK RMB'000	Shenzhen Rainbow RMB'000
Current assets	**1,192,355**	**10,342,428**	3,886,700	8,926,593
Non-current assets	**198**	**288**	459	387
Current liabilities	**(1,139,537)**	**(10,309,481)**	(3,823,486)	(8,917,388)
Net assets	**53,016**	**33,235**	63,673	9,592
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	**35,419**	**3,017**	429,750	125,818
Other current financial liabilities (excluding trade and other payables, and provisions)	**(602,539)**	**–**	(3,729,802)	(914,744)

	Year ended 31 December			
	2016		2015	
	China Daye HK RMB'000	**Shenzhen Rainbow RMB'000**	China Daye HK RMB'000	Shenzhen Rainbow RMB'000
(Loss)/profit for the year	**(10,657)**	**23,643**	36,184	36,400
Other comprehensive expense	**–**	**–**	–	(74,909)
Total comprehensive (expense)/income for the year	**(10,657)**	**23,643**	36,184	(38,509)
Dividend received from the joint ventures	**–**	**–**	40,597	–
The above (loss)/profit for the year including the following:				
Depreciation and amortisation	**262**	**107**	251	37
Interest income	**10,222**	**2,500**	2,000	–
Income tax expense	**107**	**1,051**	6,426	9

19. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of material joint ventures (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the above joint ventures recognised in the consolidated financial statements:

	At 31 December 2016		At 31 December 2015	
	China Daye HK	Shenzhen Rainbow	China Daye HK	Shenzhen Rainbow
	RMB'000	RMB'000	RMB'000	RMB'000
Net assets	**53,016**	**33,235**	63,673	9,592
Proportion of the Group's ownership interest	**95%**	**95%**	95%	95%
Carrying amount of the Group's interest	**50,365**	**31,573**	60,489	9,112

In addition, the Group's aggregate share of post-tax loss and total comprehensive expense for individually immaterial joint ventures for the year ended 31 December 2016 amounted to RMB4,218,000 (2015: RMB29,739,000).

20. DEFERRED TAXATION

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Deferred tax assets	**182,020**	230,818
Deferred tax liabilities	–	(279)
	182,020	230,539

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

Deferred tax assets

	Accrued expenses	Provision for mine rehabilitation, restoration and dismantling	Early retirement obligations	Impairment losses	Write-down of inventories	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	20,361	10,086	7,402	28,658	5,360	5,677	10,406	87,950
(Charged)/credited to profit or loss	(7,233)	303	(2,102)	30,162	153,070	7,223	(1,055)	180,368
At 31 December 2015	13,128	10,389	5,300	58,820	158,430	12,900	9,351	268,318
Credited/(charged) to profit or loss	566	311	(1,596)	507	(150,150)	105,072	(5,383)	(50,673)
At 31 December 2016	13,694	10,700	3,704	59,327	8,280	117,972	3,968	217,645

20. DEFERRED TAXATION (CONTINUED)

Deferred tax liabilities

	Mining rights RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2015	(94,000)	(27,071)	(121,071)
Credited to profit or loss	56,500	26,792	83,292
At 31 December 2015	(37,500)	(279)	(37,779)
Credited to profit or loss	1,875	279	2,154
At 31 December 2016	(35,625)	–	(35,625)

As at 31 December 2016, the PRC subsidiaries of the Group had unrecognised tax losses of RMB612,113,000 (2015: RMB384,858,000) and unrecognised deductible temporary differences of RMB500,930,000 (2015: RMB500,930,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax loss will be expired in the following years:

	At 31 December 2016 RMB'000	2015 RMB'000
To be expired on:		
31 December 2016	**–**	7,270
31 December 2017	**8,366**	8,366
31 December 2018	**13,245**	13,245
31 December 2019	**63,980**	63,980
31 December 2020	**291,997**	291,997
31 December 2021	**234,525**	–
Total unrecognised tax losses	**612,113**	384,858

At 31 December 2016, the Hong Kong subsidiaries of the Group had estimated unused tax losses of HKD47,527,000, equivalent to approximately RMB42,513,000 (2015: HKD48,707,000, equivalent to approximately RMB40,805,000), subject to the agreement of the Inland Revenue Department of Hong Kong, arose in Hong Kong available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB316,477,000 as at 31 December 2016 (2015: RMB303,445,000) 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.

21. INVENTORIES

	At 31 December 2016 RMB'000	2015 RMB'000
Raw materials	**2,568,340**	3,249,878
Work in progress	**1,402,899**	998,718
Finished goods	**835,508**	414,298
	4,806,747	4,662,894

22. TRADE AND BILLS RECEIVABLES

	At 31 December 2016 RMB'000	2015 RMB'000
Trade receivables	**298,967**	136,594
Less: Allowance of doubtful debts	**(10,522)**	(10,353)
	288,445	126,241
Bills receivables:		
Bills receivable on hand	**40,201**	23,468
Endorsed to suppliers (Note 36)	**54,228**	55,730
Discounted to Daye Finance Company (Note 36)	**2,000**	59,138
Discounted to banks (Note 36)	**39,000**	34,223
	135,429	172,559
Total trade and bills receivables	**423,874**	298,800

The majority of sales are made under contractual arrangements whereby a significant portion of amount of each sale is received before delivery or promptly after delivery and the remainder is normally received within 6 months to 1 year after delivery.

The ageing of bills receivables, based on the revenue recognition date, are within 1 year.

22. 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 doubtful debts.

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**272,382**	111,732
More than 1 year, but less than 2 years	**1,832**	14,168
More than 2 years, but less than 3 years	**13,890**	195
Over 3 years	**341**	146
	288,445	126,241

Ageing of trade receivables which are past due but not impaired

Included in the Group's trade receivables as at 31 December 2016 are debtors with aggregate carrying amount of RMB74,473,000 (2015: RMB42,405,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The ageing of these receivables are as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**60,242**	38,559
More than 1 year, but less than 2 years	**13,890**	3,688
More than 2 years, but less than 3 years	**183**	158
Over 3 years	**158**	–
	74,473	42,405

Except for an aggregate receivables of RMB13,890,000 (2015: RMB13,890,000) which are pledged by equity shares of a private company established in the PRC, the Group does not hold any collateral over trade receivables.

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Movements in the allowance for doubtful debts on trade receivables

	RMB'000
At 1 January 2015	11,134
Reversal of impairment loss, net	(781)
At 31 December 2015	10,353
Impairment loss, net	169
At 31 December 2016	10,522

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB10,522,000 as at 31 December 2016 (2015: RMB10,353,000) which are long ageing and full impairment has been provided.

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Fellow subsidiaries	**244,703**	1,423
Daye Group	**–**	88,748

The above balances with related parties are unsecured, interest-free and are repayable according to the relevant sales contracts.

Analysis of accounts and bills receivable denominated in currencies other than the functional currency of the entities comprising the Group to which they relate:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Denominated in US$	**241,795**	538

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Classified under non-current assets:		
Deposits for acquisition of property, plant and equipment	**45,353**	47,733
Deposits for environment rehabilitation*	**25,357**	–
	70,710	47,733
Classified under current assets:		
Prepayments for inventories	**118,576**	376,418
Value-added tax recoverable	**62,455**	90,547
Other receivables	**178,845**	302,189
Less: Allowance of doubtful debts on other receivables	**(22,387)**	(22,382)
	337,489	746,772

* The deposits for environment rehabilitation represent estimated environment restoration costs placed with PRC government.

Movements in the allowance for doubtful debts on other receivables

	RMB'000
At 1 January 2015	22,499
Reversal of impairment loss, net	(117)
At 31 December 2015	22,382
Impairment loss, net	5
At 31 December 2016	22,387

Included in the Group's prepayments and other receivables are balances with the following related parties:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Prepayments made to fellow subsidiaries	**17,766**	19,469
Prepayments made to Daye Group	**244**	–
Amounts due from joint ventures	**140,665**	188,618

Except for an aggregate amount of RMB100,000,000 (2015: nil) due from a joint venture which carries fixed rate at 4.60% per annum and due within one year, remaining amounts due from joint ventures are unsecured, interest-free and repayable on demand.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Current Assets At 31 December		Current Liabilities At 31 December	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Copper futures contracts	**42,659**	2,251	**5,408**	7,617
Copper option contracts	**–**	–	**–**	172
Gold futures contracts	**724**	826	**–**	72,016
Gold forward contracts	**–**	–	**192,437**	–
Silver futures contracts	**2,821**	2,124	**–**	696
Currency forward contracts	**23,227**	–	**–**	1,608
	69,431	5,201	**197,845**	82,109

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

	At 31 December			
	2016		2015	
Contract type	**Quantity**	**Contract price (RMB)**	Quantity	Contract price (RMB)
Copper futures contracts (tonnes)				
Buy	**23,010**	**39,550 to 46,548**	90,236	30,709 to 38,253
Sell	**13,240**	**37,637 to 46,770**	38,672	34,815 to 36,558
Copper option contracts (tonnes)				
Sell	**–**	**–**	1,000	34,815 to 36,558
Gold futures contracts (kg)				
Buy	**387**	**249,318 to 265,128**	5,090	223,000 to 246,000
Sell	**200**	**267,129**	675	225,292
Gold forward contracts (kg)				
Buy	**7,010**	**260,300 to 290,100**	–	–
Silver futures contracts (kg)				
Buy	**34,530**	**4,020**	6,885	3,270 to 3,425
Sell	**150**	**4,041**	84,510	3,425

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Major terms of the foreign currency forward contracts are as follows:

Nominal amount	**Exchange rates**
At 31 December 2016	
Buy US$91,530,000	US$1: RMB6.7277 to RMB7.0438
At 31 December 2015	
Buy US$53,000,000	US$1: RMB6.5003 to RMB6.6016

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

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

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

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

The amounts recognised for the derivative financial assets and liabilities in respect of commodity derivative contracts and currency forward 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.

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Gross amounts recognised of 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 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Deposits in futures margin accounts (Note 25)	**28,441**	138,256	**–**	–	**28,441**	138,256
Derivatives in respect of:						
Copper futures contracts	**42,659**	2,251	**–**	–	**42,659**	2,251
Gold futures contracts	**724**	826	**–**	–	**724**	826
Silver futures contracts	**2,821**	2,124	**–**	–	**2,821**	2,124
Currency forward contracts	**23,227**	–	**–**	–	**23,227**	–
Total	**97,872**	143,457	**–**	–	**97,872**	143,457

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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Counterparty A	**57,380**	103,727	**–**	(3,129)	**–**	–	**57,380**	100,598
Counterparty B	**23,227**	–	**(23,227)**	–	**–**	–	**–**	–
Counterparty C	**14,000**	–	**(13,396)**	–	**–**	–	**604**	–
Counterparty D	**2,841**	16,307	**(79)**	(2,697)	**–**	–	**2,762**	13,610
Counterparty E	**424**	–	**–**	–	**–**	–	**424**	–
Others	**–**	23,423	**–**	–	**–**	–	**–**	23,423
	97,872	143,457	**(36,702)**	(5,826)	**–**	–	**61,170**	137,631

24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Gross amounts recognised of 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	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Derivatives in respect of:						
Copper futures contracts	**5,408**	7,617	**–**	–	**5,408**	7,617
Copper option contracts	**–**	172	**–**	–	**–**	172
Gold futures contracts	**–**	72,016	**–**	–	**–**	72,016
Gold forward contracts	**192,437**	–	**–**	–	**192,437**	–
Silver futures contracts	**–**	696	**–**	–	**–**	696
Currency forward contracts	**–**	1,608	**–**	–	**–**	1,608
Total	**197,845**	82,109	**–**	–	**197,845**	82,109

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

	Net amounts of financial liabilities presented in the consolidated statement of financial position At 31 December		Related amounts not set off in the consolidated statement of financial position: Derivative financial assets At 31 December		Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged At 31 December		Net amount At 31 December	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Counterparty A	**–**	3,129	**–**	(3,129)	**–**	–	**–**	–
Counterparty B	**37,255**	44,510	**(23,227)**	–	**–**	–	**14,028**	44,510
Counterparty C	**13,396**	–	**–**	–	**(13,396)**	–	**–**	–
Counterparty D	**79**	2,697	**–**	–	**(79)**	(2,697)	**–**	–
Counterparty E	**–**	–	**–**	–	**–**	–	**–**	–
Counterparty F	**23,775**	19,480	**–**	–	**–**	–	**23,775**	19,480
Counterparty G	**50,810**	8,288	**–**	–	**–**	–	**50,810**	8,288
Counterparty H	**4,397**	1,362	**–**	–	**–**	–	**4,397**	1,362
Counterparty I	**62,803**	–	**–**	–	**–**	–	**62,803**	–
Counterparty J	**5,330**	–	**–**	–	**–**	–	**5,330**	–
Others	**–**	2,643	**–**	–	**–**	–	**–**	2,643
	197,845	82,109	**(23,227)**	(3,129)	**(13,475)**	(2,697)	**161,143**	76,283

25. BANK AND OTHER DEPOSITS, BANK BALANCES AND CASH

Restricted deposits and bank balances

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Classified under current assets:		
Bank deposits (Note (a))	**–**	400,000
Bank balances (Note (b))	**7,250**	10,980
Other deposits (Note (c))	**28,441**	138,256
	35,691	549,236
Classified under non-currents assets:		
Bank deposits (Note (d))	**39,000**	–

Notes:

(a) The bank deposits as at 31 December 2015 were pledged to banks as security for certain banking facilities of a joint venture. The effective interest rate of these bank deposits is 3.95% per annum. The pledge was released upon repayment of the relevant bank loan during the year.

(b) Bank balances are held in designated bank accounts as security for the Group's bills payable and letters of credit. Bank balances earn interest at floating rates based on daily bank deposit rates.

(c) Other deposits represent deposits in margin accounts held in Shanghai Future Exchange, other futures exchanges and certain financial institutions as security for the commodities derivative, gold forward contracts and currency forward contracts (Note 24).

(d) The bank deposits as at 31 December 2016 were pledged to a financing company as security for the long-term borrowings of the Group, details are set out in Note 28.

Bank and other deposits, bank balances and cash

As at 31 December 2016, the amount included deposits in Daye Finance Company of RMB688,847,000 (2015: RMB575,591,000), which bear interest at rate ranging from 0.53% to 3.58% (2015: 1.15% to 1.49%) per annum and repayable on demand. The bank deposits and balances carry interest at market rates ranging from 0.35% to 4.00% (2015: 0.35% to 4.00%) per annum.

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Denominated in US$	**275,472**	594,517
Denominated in HK$	**4,150**	4,429
Denominated in Pound Sterling	**40**	45
	279,662	598,991

26. TRADE AND BILLS PAYABLES

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables	**1,750,521**	1,657,143
Bills payables	**281,661**	–
	2,032,182	1,657,143

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**1,729,314**	1,634,751
More than 1 year, but less than 2 years	**12,673**	14,551
More than 2 years, but less than 3 years	**898**	225
Over 3 years	**7,636**	7,616
	1,750,521	1,657,143

The maturity period of bills payables are within 6 months.

Included in the Group's trade and bills payables are payables to fellow subsidiaries of RMB38,491,000 (2015: RMB259,477,000). The payables to fellow subsidiaries are unsecured, interest-free and are repayable according to respective purchase contracts.

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Denominated in US$	**1,161,357**	941,658

27. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Classified under current liabilities:		
Receipts in advance from customers	**57,216**	63,874
Salaries and welfare payables	**95,443**	100,433
Interest payables	**33,543**	41,769
Current portion of deferred income (Note 31)	**18,350**	17,772
Payables for purchase of property, plant and equipment (Note (a))	**651,958**	728,068
Deposits received for construction projects	**58,423**	70,856
Amounts due to Daye Group (Note (b))	**32,812**	18,853
Amounts due to a joint venture (Note (b))	**15,389**	246,066
Other payables and accruals	**78,416**	184,444
	1,041,550	1,472,135
Classified under non-current liabilities:		
Payables for purchase of property, plant and equipment (Note (a))	**259,802**	–

Notes:

(a) Included in payables for purchase of property, plant and equipment are payables to fellow subsidiaries of RMB491,672,000 (2015: RMB427,117,000) in relation to the construction work conducted by these fellow subsidiaries. The amounts are unsecured, interest-free and repayable in accordance with the terms of the relevant construction contracts.

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

28. BANK AND OTHER BORROWINGS

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Bank borrowings:		
Unsecured	**4,950,639**	5,728,792
Other borrowings:		
Loans from Daye Group, unsecured (Note (a))	**1,019,318**	1,504,612
Loans from Daye Finance Company, unsecured (Note (a))	**418,000**	373,000
Loans from a fellow subsidiary, unsecured (Note (a))	**114,488**	–
Advance from Daye Finance Company for discounted bills	**2,000**	59,138
Advance from banks for discounted bills	**39,000**	34,223
Gold loans (Note (b))	**1,738,617**	1,134,663
Silver loans (Note (b))	**–**	4,332
Other loans (Note (c))	**499,500**	–
	8,781,562	8,838,760

28. BANK AND OTHER BORROWINGS (CONTINUED)

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Bank borrowings carrying amounts repayable*:		
Within one year	**1,126,211**	1,718,503
More than one year, but not exceeding two years	**3,756,928**	3,748,314
More than two years, but not exceeding five years	**67,500**	261,975
	4,950,639	5,728,792
Other borrowings carrying amounts repayable*:		
Within one year	**1,362,058**	1,860,916
More than one year, but not exceeding two years	**1,097,559**	355,000
More than two years, but not exceeding five years	**823,606**	894,052
More than five years	**547,700**	–
	3,830,923	3,109,968
Less: Amounts due within one year shown under current liabilities	**(2,488,269)**	(3,579,419)
Amounts shown under non-current liabilities	**6,293,293**	5,259,341

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Fixed-rate borrowings	**4,577,589**	4,802,427
Variable-rate borrowings	**4,203,973**	4,036,333
Total borrowings	**8,781,562**	8,838,760

	Year ended 31 December	
	2016	2015
Effective interest rate: (per annum)		
Fixed-rate borrowings	**1.20% to 6.15%**	1.50% to 5.79%
Variable-rate borrowings*	**1.85% to 4.41%**	1.41% to 5.90%

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

28. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

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

Interest rate	Terms of repayment	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Daye Group			
Fixed rate:			
At 4.98% per annum	Repayable on 1 January 2020	**362,216**	362,216
At 6.15% per annum	Repayable from 19 January 2017 to 14 August 2018	**110,000**	110,000
At 4.60% per annum	Repayable on 30 April 2017	**100,000**	–
At 1.20% per annum	Repayable on 24 December 2025	**53,200**	–
At 6.00% per annum	Repayable on 23 August 2018	**50,000**	–
At 4.60% per annum	Repayable on 27 August 2016	**–**	560
At 5.79% per annum	Repayable on 24 January 2016	**–**	500,000
Floating rate:			
Five years interest rate quoted by BOC	Repayable on 1 January 2020	**278,744**	485,604
Five years interest rate quoted by BOC	Repayable on 1 January 2020	**65,158**	46,232
		1,019,318	1,504,612
Daye Finance Company			
Fixed rate:			
At 3.915% per annum	Repayable on from 30 June 2018 to 29 September 2018	**300,000**	–
At 5.61% per annum	Repayable on 3 June 2017	**90,000**	90,000
At 5.00% per annum	Repayable on 14 October 2017	**28,000**	–
At 3.915% per annum	Repayable on from 15 January 2016 to 28 July 2016	**–**	255,000
At 5.00% per annum	Repayable on 21 October 2016	**–**	28,000
		418,000	373,000
A fellow subsidiary			
Floating rate:			
Three years interest rate quoted by PBOC	Repayable 11 January 2019	**114,488**	–

28. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(b) During the year, gains arising from change in fair value of gold loans designated as financial liabilities at FVTPL amounted to RMB171,852,000 (2015: losses of RMB31,878,000). Losses arising from change in fair value of silver loans designated as financial liabilities at FVTPL amounted to RMB641,000 during the year (2015: gains of RMB641,000). The above gains and losses have been charged to profit or loss. The gold loans bear interest ranging from 2.0% to 3.6% (2015: silver loans and gold loans bear interest ranging from 2.2% to 3.5%) per annum and RMB1,092,066,000 of gold loans are repayable within one year.

(c) On 23 December 2015, the Group entered into an agreement with a 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 pledged by the Group's bank deposits of RMB39,000,000 (Note 25).

The Directors consider that the carrying amounts of borrowings and related interest payable amounting to RMB33,543,000 as at 31 December 2016 (2015: RMB41,769,000) recognised in the consolidated financial statements approximate to their fair values.

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

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Denominated in US$	**811,054**	1,174,738

29. PROVISION FOR MINE REHABILITATION, RESTORATION AND DISMANTLING

	RMB'000
At 1 January 2015	40,344
Interest cost charged to profit or loss (Note 9)	1,210
At 31 December 2015	41,554
Interest cost charged to profit or loss (Note 9)	1,247
At 31 December 2016	42,801

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% (2015: 3%) per annum.

30. CONVERTIBLE NOTE/BONDS

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Debt component: (Note (a))		
HK$1,003,836,048 zero coupon convertible note (the "Note")	**880,608**	741,452
RMB820,000,000 0.5% convertible bonds (the "Bonds")	**–**	669,908
	880,608	1,411,360
Derivative component of the Note (Note (b))	**1**	18,999
	880,609	1,430,359
Less: Amounts shown under current liabilities	**(880,609)**	(669,908)
Amount shown under non-current liabilities	**–**	760,451

Notes:

(a) The effective interest rate of the debt component of the Note and Bonds is 11.2% and 8.1%, respectively. The movements of the debt component of the Note and Bonds, which are measured at amortised cost basis until extinguished on conversion or redemption, during the year are as follows:

	The Note RMB'000	The Bonds RMB'000	Total RMB'000
At 1 January 2015	616,816	736,984	1,353,800
Interest expense (Note 9)	71,449	62,857	134,306
Interest paid	–	(3,760)	(3,760)
Converted into ordinary shares (Note (i) and Note 33)	–	(126,173)	(126,173)
Exchange difference	53,187	–	53,187
At 31 December 2015	741,452	669,908	1,411,360
Interest expense (Note 9)	86,417	15,802	102,219
Interest paid	–	(1,710)	(1,710)
Exchange difference	52,739	–	52,739
Redemption of convertible bonds (Note (i))	–	(684,000)	(684,000)
At 31 December 2016	880,608	–	880,608

Note:

(i) During the year, the holders of the Bonds exercised their rights to require the Company to redeem all of the outstanding Bonds at 101.52% of their RMB principal amount of RMB684,000,000. The premium on redemption of RMB10,397,000 was charged to profit or loss under other gains and losses. The corresponding convertible bonds equity reserve of RMB104,639,000 were reclassified to retained earnings upon the redemption. During the prior year, an aggregate principal amount of RMB136,000,000 of the Bonds was converted into 567,668,520 new ordinary shares of HK$0.05 each.

(b) Due to the change of the functional currency of the Company in the prior year as detailed in Note (v) under consolidated statement of changes in equity, the Company reassessed the derivative components of the Note and the Bonds and recognised the fair value of the derivative component of the Note that was determined based on the valuations performed by Jones Lang LaSalle using the Binomial Model. During the year, changes in the fair value of derivative component of gain of RMB19,381,000 (2015: RMB5,120,000) are recognised in profit or loss.

30. CONVERTIBLE NOTE/BONDS (CONTINUED)

Notes: (Continued)

(c) The details of the Note and the Bonds are as follows:

The Note

The Note in the aggregate principal amount of HK$1,003,836,048 is part of the consideration in respect of the Transaction (as defined in Note (ii) in the consolidated statement of changes in equity) and was issued to China Times on 7 March 2012.

The outstanding principal amount under the Note does not bear any interest. The Note do not carry any voting right. The effective interest rate is 11.2%.

The Note may be transferred and assigned, in whole or in part, at any time before the maturity date, subject to the approval of the Hong Kong Stock Exchange (if required) and the consent of the Company.

The Note entitles the holder to convert to ordinary shares of the Company at an initial conversion price of HK$0.5 (subject to the anti-dilutive adjustments in accordance with the terms of the Note) at any time during the period commencing from the issue date of the Note. Such conversion option is treated as the derivative component of the Note and is stated at fair value with changes recorded in profit or loss. The Group determined the fair value of the conversion option at the end of reporting period based on the valuations performed by Jones Lang LaSalle using the Binomial Model as detailed in Note 35.

Unless previously converted and cancelled by the Company, the Company shall redeem any outstanding Note at the redemption amount (which is equal to the outstanding principal amount under the Note) on the maturity date which is the date falling five years after the issue date. Upon full conversion of the Note at the conversion price of HK$0.5, an aggregate of 2,007,672,096 conversion shares will be issued by the Company.

The Note matured on 7 March 2017 and was redeemed in full by the issuance of a promissory note by the Company to China Times for the Renminbi equivalent of the outstanding principal amount of the Note. The promissory note bears interest at 4.75% per annum and repayable no later than 6 March 2022. Further details of the promissory note are disclosed in Note 44 (a).

The Bonds

The Bonds were issued by the Company on 30 May 2013 (the "Issue Date") in the aggregate principal amount of RMB820,000,000 (in registered form in the denomination of RMB1,000,000 each or integral multiples thereof) and are listed on the Mainboard of the Hong Kong Stock Exchange.

The Bonds are convertible into ordinary shares of the Company's ordinary shares (the "Shares") at any time on or after 10 July 2013 up to the close of business on the tenth day prior to 30 May 2018 (the "Maturity Date") (both days inclusive), unless previously redeemed, converted, or purchased and cancelled. The conversion price (subject to adjustments according to the "Terms and Conditions" of the Bonds) (the "Conversion Price") is initially HK$0.30 per Share at the fixed exchange rate of HK$1.00 = RMB0.79859.

The Bonds bear interest from and including the 30 May 2013 up to but excluding the Maturity Date at the rate of 0.50% per annum of the principal amount of the Bonds and payable in US$ at the US$ equivalent semi-annually in arrears on 30 November and 30 May in each year subject to the Terms and Conditions. The first interest payment date will be 30 November 2013. After the conversion rights of the Bonds have been exercised or where such Bond is redeemed or repaid pursuant to the Terms and Conditions, each Bond will not bear any interest.

Unless previously redeemed, converted or purchased and cancelled in the circumstances set out in the Terms and Conditions, the Company shall redeem each Bond at the US$ equivalent of 102.56% of the RMB principal amount on the Maturity Date.

The Company shall, at the option of the holders of the Bonds (the "Bondholders"), redeem all or some only of such Bonds on 30 May 2016 at 101.52% of their RMB principal amount. The US$ equivalent of amount equals to 100% of the RMB principal amount of the Bond redeemed plus the applicable amount which will provide the Bondholder with a gross compound yield of 1.00% per annum calculated on a semiannual basis (the "Early Redemption Amount") plus any accrued but unpaid interest.

Further details of the Bonds are set out in the Company's announcements dated 9 May 2013 and 30 May 2013.

In the opinion of the Directors, the fair value of all early redemption option is insignificant on initial recognition and at 31 December 2015.

31. DEFERRED INCOME

	RMB'000
At 1 January 2015	245,734
Government grants obtained	34,240
Credited to profit or loss (Note 7)	(18,482)
At 31 December 2015	261,492
Government grants obtained	526
Credited to profit or loss (Note 7)	(18,007)
At 31 December 2016	244,011

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Analysed as:		
Current (Note 27)	**18,350**	17,772
Non-current	**225,661**	243,720
	244,011	261,492

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.

32. EARLY RETIREMENT OBLIGATIONS

	RMB'000
At 1 January 2015	29,608
Interest cost charged to profit or loss (Note 9)	900
Benefits paid	(9,039)
At 31 December 2015	21,469
Interest cost charged to profit or loss (Note 9)	460
Benefits paid	(6,949)
At 31 December 2016	14,980

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Analysed as:		
Current	**4,380**	5,630
Non-current	**10,600**	15,839
	14,980	21,469

32. EARLY RETIREMENT OBLIGATIONS (CONTINUED)

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:

	2016	2015
	%	%
Discount rate (per annum)	**2.75**	2.5
Expected annual salary incremental rate (per annum)	**10**	5

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

33. 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 2015, 31 December 2015 and 31 December 2016	30,000,000,000	1,500,000
		RMB'000
Issued and fully paid:		
At 1 January 2015	17,327,911,186	705,506
Issue of shares upon conversion of the Bonds	567,668,520	22,387
At 31 December 2015 and 2016	17,895,579,706	727,893

During the year ended 31 December 2015, 567,668,520 new ordinary shares of HK$0.05 each were issued upon the conversion of the Bonds (Note 30), resulting credit to ordinary share capital of RMB22,387,000 and share premium account of the Company of RMB103,786,000.

There was no movement in the Company's share capital for the year ended 31 December 2016.

34. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of net debts (which includes bank and other borrowings and convertible note/bonds), net of restricted bank balances, bank and other deposits, bank balances and cash, and equity attributable to owners of the Company (comprising share capital, share premium and all other reserves).

Gearing ratio

The Group's management reviews the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital.

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

		At 31 December	
		2016	2015
	Notes	**RMB'000**	RMB'000
Debts	(i)	**9,662,171**	10,269,119
Less: Restricted bank balances, bank and other deposits, bank balances and cash		**(1,163,002)**	(1,704,879)
Net debts		**8,499,169**	8,564,240
Equity attributable to owners of the Company	(ii)	**2,460,959**	2,624,443
Net debts to equity ratio		**345.4%**	326.3%

Notes:

(i) Debts comprise non-current and current bank and other borrowings, and convertible note/bonds as detailed in Notes 28 and 30, respectively.

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

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,771,775**	2,421,742
Financial assets at FVTPL:		
Derivative instruments	**69,431**	5,201
Financial liabilities		
Amortised costs	**11,181,521**	12,158,757
At FVTPL:		
Gold loans	**1,738,617**	1,134,663
Silver loans	**–**	4,332
Derivative instruments	**197,845**	82,109
Derivative component of convertible note	**1**	18,999

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, restricted deposits and bank balances, bank and other deposits, bank balances and cash, trade and bills payables, other payables and accrued expenses, bank and other borrowings, gold loans and silver loans, convertible note/bonds (including both debt and derivative components) and derivative financial instruments. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Commodity price risk

The Group is principally engaged in the mining and processing of mineral ores and trading of non-ferrous metal in the PRC. The major products of the Group include copper cathodes and gold, and other products include silver, iron ores, sulphuric acid, etc. As the commodity market is influenced by global as well as PRC supply and demand conditions, any unexpected price change in the market might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures, and may enter into commodity derivative contracts from time to time in accordance with the policies approved by the Directors to manage the exposure with respect to its inventories, forecast sell or firm sell commitments mainly includes copper and certain other metal products. The Group does not enter into any commodity derivative contracts in respect of iron ores and other commodities.

The Group enters into copper and other metal derivative contracts for the purpose of manage its exposure to copper and other metal product price risk.

Financial assets and liabilities of the Group that expose to the commodity price risk – the fair value change, primarily with respect to its outstanding derivative financial instruments, mainly the copper and other metal derivative contracts.

35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Commodity price risk (Continued)

The following table details the Group's sensitivity to movement in prices in respect of its outstanding commodity derivative contracts at each reporting date. At each reporting date, if the prices of these commodity derivative contracts increased/decreased by a reasonable possible change, with all other variables were held constant, the Group's loss after tax would have been affected as set out below:

	2016 (Increase)/ decrease in loss after tax RMB'000	2015 (Increase)/ decrease in loss after tax RMB'000
The prices of the commodity derivative contracts:		
Increased by 10%	**(15,164)**	(7,852)
Decreased by 10%	**15,164**	7,852

Interest rate risk

The Group is exposed to interest rate volatility on bank and other deposits, bank balances and borrowings. Bank and other deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Bank and other deposits, bank balances, convertible note/bonds and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's restricted deposits and bank balances, bank and other deposits, bank balances and cash, and bank and other borrowings have been disclosed in Notes 25 and 28. 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 People's Bank of China and London InterBank Offer Rate.

35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

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 restricted bank 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 loss after tax as a result of the change in interest expense for floating rate borrowings:

	2016		2015	
	+100 basis points (Increase)/ decrease in loss after tax RMB'000	**-100 basis points (Increase)/ decrease in loss after tax RMB'000**	+100 basis points (Increase)/ decrease in loss after tax RMB'000	-100 basis points (Increase)/ decrease in loss after tax RMB'000
Financial liabilities:				
Bank and other borrowings	**(29,061)**	**29,061**	(26,822)	26,822

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, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts had been entered by the Group.

35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Foreign exchange risk (Continued)

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

	2016 (Increase)/ decrease in loss after tax RMB'000	2015 (Increase)/ decrease in loss after tax RMB'000
RMB – US$		
Appreciation of RMB by 5%	**53,697**	57,505
Depreciation of RMB by 5%	**(53,697)**	(57,505)

Credit risk

The carrying amount of trade and bills receivables, other receivables, derivative financial instruments, restricted deposits and bank balances, bank and other deposits, bank balances and cash included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its 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 regular monitored with timely follow-up action taken.

The Group has concentration of credit risk as the largest accounts receivable from a customer accounted for 52.7% (2015: 29.7%) of trade receivables as at 31 December 2016.

Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

Bills receivables are only drawn from major state-owned financial institutions in the PRC. Substantially all the bank and other deposits, restricted deposits and bank balances as detailed in Note 25 are held in major state-owned financial institutions located in the PRC and substantially all derivative financial instruments also directly entered into with the Shanghai Futures Exchange, other futures exchanges and banks 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 loss arising from non-performance by these counterparties.

35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk

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

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. To the extent that interest flows are variable rate, the undiscounted amount is driven from interest rate at the end of reporting period.

	Weighted average effective interest rate	Less than 1 year and on demand	1 to 2 years	2 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016							
Non-derivative financial liabilities:							
Trade and bills payables	–	2,032,182	–	–	–	2,032,182	2,032,182
Other payables	–	932,441	–	259,802	–	1,192,243	1,192,243
Bank and other borrowings:							
Fixed-rate	3.53	1,611,770	2,285,405	458,635	589,938	4,945,748	4,596,853
Variable-rate	3.56	1,194,746	2,711,730	544,099	–	4,450,575	4,218,252
Convertible note	11.2	880,608	–	–	–	880,608	880,608
		6,651,747	4,997,135	1,262,536	589,938	13,501,356	12,920,138
Financial guarantee contracts	–	150,000	–	–	–	150,000	–
Derivative – net settlement	–	197,845	–	–	–	197,845	197,845
At 31 December 2015							
Non-derivative financial liabilities:							
Trade and bills payables	–	1,657,143	–	–	–	1,657,143	1,657,143
Other payables	–	1,390,489	–	–	–	1,390,489	1,390,489
Bank and other borrowings:							
Fixed-rate	3.60	2,355,105	1,737,147	1,043,447	–	5,135,699	4,802,427
Variable-rate	4.44	1,533,093	2,525,455	209,548	–	4,268,096	4,036,333
Convertible note/bonds	8.1 – 11.2	669,908	800,563	–	–	1,470,471	1,430,359
		7,605,738	5,063,165	1,252,995	–	13,921,898	13,316,751
Derivative – net settlement	–	80,501	–	–	–	80,501	80,501

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

35. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above of variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimate of interest rates determined at the end of the reporting period.

The following table details the Group's liquidity analysis for its gross-settled derivative financial instruments. The table has been drawn up based on the undiscounted contractual gross inflows and outflows on those derivatives.

	Less than 1 year and on demand	1 to 2 years	2 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amounts as (assets) liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016						
Currency forward contracts:						
Inflow	**(644,853)**	**–**	**–**	**–**	**(644,853)**	**(644,853)**
Outflow	**621,626**	**–**	**–**	**–**	**621,626**	**621,626**
	(23,227)	**–**	**–**	**–**	**(23,227)**	**(23,227)**
At 31 December 2015						
Currency forward contracts:						
Inflow	(344,160)	–	–	–	(344,160)	(344,160)
Outflow	345,768	–	–	–	345,768	345,768
	1,608	–	–	–	1,608	1,608

Fair value measurement of financial instruments

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

	At 31 December 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Derivative financial instruments	**–**	**69,431**	**–**	**69,431**
Financial liabilities				
Derivative financial instruments	**–**	**197,845**	**–**	**197,845**
Derivative component of convertible note	**–**	**–**	**1**	**1**
Gold loans	**–**	**1,738,617**	**–**	**1,738,617**

35. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (Continued)

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

	At 31 December 2015			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Derivative financial instruments	–	5,201	–	5,201
Financial liabilities				
Derivative financial instruments	–	82,109	–	82,109
Derivative component of convertible note	–	–	18,999	18,999
Gold loans	–	1,134,663	–	1,134,663
Silver loans	–	4,332	–	4,332

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

		Fair value At 31 December		**Fair value hierarchy**	**Valuation technique**
		2016 RMB'000	2015 RMB'000		
Copper futures contracts:	Assets	**42,659**	2,251	Level 2	Note 1
	Liabilities	**5,408**	7,617	Level 2	Note 1
Copper option contracts:	Liabilities	**–**	172	Level 2	Note 1
Gold futures contracts:	Assets	**724**	826	Level 2	Note 1
	Liabilities	**–**	72,016	Level 2	Note 1
Gold forward contracts:	Liabilities	**192,437**	–	Level 2	Note 1
Silver futures contracts:	Assets	**2,821**	2,124	Level 2	Note 1
	Liabilities	**–**	696	Level 2	Note 1
Currency forward contracts:	Assets	**23,227**	–	Level 2	Note 2
	Liabilities	**–**	1,608	Level 2	Note 2
Gold loans:	Liabilities	**1,738,617**	1,134,663	Level 2	Note 1
Silver loans:	Liabilities	**–**	4,332	Level 2	Note 1
Derivative component of convertible note	Liabilities	**1**	18,999	Level 3	Note 3

35. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (Continued)

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

Notes:

(1) Calculating by reference to the quoted prices in an active market. The Directors consider that the change in fair value of the gold/silver loans is mostly attributable to change in the commodity prices of gold/silver and the amount of change in fair value of gold/silver loans that is attributable to change in the credit risk of these loans is insignificant.

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

(3) Binominal model with key assumptions including the Company's share price, volatility of the Company's share prices and discount rate, input such as volatility is deducted from the quoted price of the relevant convertible note. The higher of the volatility, the higher the fair value. The higher of the discount rate, the lower the fair value.

Reconciliation of Level 3 fair value measurements

	2016 **RMB'000**	2015 RMB'000
Opening balance	**(18,999)**	(24,119)
Gains credited to profit or loss during the year	**19,381**	5,120
Exchange realignment	**(383)**	–
Closing balance	**(1)**	(18,999)

There were no transfers between Level 1 and 2 for the years ended 31 December 2016 and 2015.

Fair value of financial instruments that are not measured at fair value on a recurring basis

Except as disclosed in Note 28, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost recognised in the consolidated financial statements approximate their fair values.

36. TRANSFERS OF FINANCIAL ASSETS

The following were the financial assets of the Group (measured at amortised cost) transferred to banks or suppliers, which did not qualify for derecognition in their entirety, at the end of the reporting periods:

	Bills receivable endorsed to suppliers RMB'000	Bills receivable discounted to Daye Finance Company RMB'000	Bills receivable discounted to banks RMB'000
At 31 December 2016			
Carrying amount of transferred assets	**54,228**	**2,000**	**39,000**
Carrying amount of associated liabilities	**(54,228)**	**(2,000)**	**(39,000)**
Net position	**–**	**–**	**–**
At 31 December 2015			
Carrying amount of transferred assets	55,730	59,138	34,223
Carrying amount of associated liabilities	(55,730)	(59,138)	(34,223)
Net position	–	–	–

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivables to Daye Finance Company and the respective banks by discounting the bills receivables for cash. The Directors consider the Group did not transfer substantially all of the risk 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 receivable to suppliers to exchange for goods and services from those suppliers which transferred the contractual rights to receive cash flows from those bills receivables to the respective suppliers. The Directors consider the Group did not transfer substantially all of the risk and rewards of ownership of the bills receivables and continued to recognise the bills receivable and the associated trade payables.

37. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases certain properties under non-cancellable operating leases to Daye Group and fellow subsidiaries with lease terms which fall due as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**13,589**	12,424

The Group as lessee

The Group leases certain lands under non-cancellable operating leases from Daye Group for 30 years. The Group has also leases certain of office properties and staff apartments under non-cancellable operating leases from independent third parties with lease terms ranging from 1 to 3 years. The Group does not have an option to purchase the leased assets at the expiry of the lease periods.

At the end of each of the reporting period, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Within one year	**14,773**	15,917
In the second to fifth year inclusive	**51,767**	53,630
Over five years	**229,574**	242,328
	296,114	311,875

38. CAPITAL COMMITMENTS

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of:		
Acquisition of property, plant and equipment	**485,749**	646,729

39. RELATED PARTY TRANSACTIONS

Transactions and balances with 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 Non-ferrous 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	Year ended 31 December 2016 RMB'000	2015 RMB'000
Income:				
Sales of non-ferrous metals*	(i)	Daye Group	**105,140**	297,873
	(i)	Fellow subsidiaries	**1,404,977**	368,053
Sales of other materials*	(i)	Daye Group	**263**	241
	(i)	Fellow subsidiaries	**82,642**	117,156
Rendering of services*	(i)	Daye Group	**189**	774
	(i)	Fellow subsidiaries	**1,809**	1,380
Rendering of services	(i)	Fellow subsidiaries	**295**	–
Interest income*	(iii)	Daye Finance Company	**10,238**	5,180
Interest income	(i)	A Joint Venture	**1,009**	–
Rental income for leasing of properties*	(i)	Daye Group	**11,193**	12,425
	(i)	Fellow subsidiaries	**2,611**	2,269
Rental income for leasing of lands	(i)	Fellow subsidiaries	**907**	1,235
Expenses:				
Transportation fees*	(i)	An associate of Daye Group	**2,971**	3,426
Utilities fees*	(i)	Fellow subsidiary	**278,436**	314,610
	(i)	Daye Group	**103**	110
Medical service fees*	(i)	Fellow subsidiary	**–**	169
Purchases of non-ferrous metals*	(i)	Daye Group	**90,168**	140,749
	(i)	Fellow subsidiaries	**1,169,468**	2,284,254
Rental expense for leasing of lands*	(i)	Daye Group	**11,912**	12,754
	(i)	Fellow subsidiaries	**893**	957
Rental expense for leasing of properties	(i)	Fellow subsidiaries	**1,897**	890
Interest expense	(ii)	Daye Group	**60,206**	75,986
	(ii)	Daye Finance Company	**15,763**	6,763
	(ii)	Fellow subsidiary	**4,411**	–
Purchase of accommodation, catering, conference and other services*	(i)	Fellow subsidiaries	**–**	582
	(i)	An associate of Daye Group	**542**	–
Bills acceptance and settlement services fees*	(i)	Daye Finance Company	**30**	1,493
Relocation and demolition services	(i)	Fellow subsidiaries	**–**	7,769
Capital expenditures:				
Construction contract fees*	(i)	Fellow subsidiaries	**371,378**	263,885
Other service fees*	(i)	Fellow subsidiaries	**108,964**	30,494
	(i)	An associate of Daye Group	**1,354**	–
	(i)	Daye Group	**152**	–

* These related party transactions also constituted continuing connected transactions according to the Listing Rules.

39. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions and balances with PRC government-related entities (Continued)

Transactions with China Non-ferrous Metal Mining (Group) Co., Ltd. Group (Continued)

Notes:

(i) These transactions were conducted in accordance with terms of the relevant agreements.

(ii) The interest expense arose from unsecured loans from Daye Group, Daye Finance Company and a fellow subsidiary. Further details of the loans at the end of the reporting period are set out in Note 28.

(iii) The interest income arose from the deposits placed with Daye Finance Company. Further details of the balance at the end of the reporting period are set out in Note 25.

Transactions with other PRC government-related entities

The Group has entered into various transactions, amongst others, including deposit placements, borrowings, and other bank facilities, with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of these transactions, the Directors are of the opinion that separate disclosures would not be meaningful.

Compensation of key management personnel of the Group

The key management personnel of the Group includes the Directors (which are also top executives of the Company). The remuneration of certain of the directors was borne by Daye Group during the current and prior years. Further details of Directors' emoluments are included in Note 12.

40. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government authority. The PRC subsidiaries are required to contribute specified rate of the employees' salaries to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

In accordance with the relevant mandatory provident fund laws and regulations of Hong Kong, the Group operates a Mandatory Provident Fund scheme ("MPF Scheme") for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group and under the control of an independent MPF service provider. Under the rules of the MPF Scheme, the employer and its employees are required to make contributions to the scheme at rates specified in the rules separately. The only obligation of the Group in respect of the MPF Scheme is to make the required contributions under the scheme.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income amounted to approximately RMB123,874,000 for the year ended 31 December 2016 (2015: RMB135,511,000)

41. CONTINGENT LIABILITY

As at 31 December 2016, the Group issued financial guarantees to a bank in respect of banking facilities for letter of credits granted to a joint venture with an aggregate amount of RMB150,000,000 (2015: nil), which represented the amount that could be required to be paid if guarantees were called upon in entirety, of which RMB145,500,000 had been utilised by the joint venture as at 31 December 2016.

42. DETAILS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment and principal country of operation	Issued and fully paid-up capital	Effective equity interest held by the Company At 31 December 2016	2015	Principal activities
China Daye Hong Kong International Trading Ltd. (Note (a))	BVI/ Hong Kong	US$1	**100%**	100%	Trading of metals and minerals
大冶有色設計研究院有限公司 (Daye Non-ferrous Design and Research Institute Company Limited*) (Note (b))	PRC/PRC	RMB6,800,000	**95.35%**	95.35%	Research and development
大冶有色金屬有限責任公司 (Daye Non-ferrous Metals Co., Ltd.*) ("Hubei Daye") (Note (b))	PRC/PRC	RMB1,490,977,877	**95.35%**	95.35%	Mining and processing of mineral ores and trading of metal concentrates
大冶有色興科建設工程質量檢測有限公司 (Daye Non-ferrous Xingke Construction Works Quality Inspection Company Limited*) (Note (b))	PRC/PRC	RMB1,000,000	**95.35%**	95.35%	Quality testing of construction projects
Hui Xiang (Note (b))	PRC/PRC	RMB226,000,000	**55%**	55%	Mineral exploitation
昆明大鑫貿易有限公司 (Kunming Daxin Trading Co,. Ltd*) (Note (b))	PRC/PRC	RMB10,000,000	**48.63%**	48.63%	Trading of metals and minerals
Reservoir (Mongolia) Limited (Note (b))	The Republic of Mongolia/ The Republic of Mongolia	US$100,000	**51%**	51%	Mineral exploitation
Tong Xing (Note (b))	PRC/PRC	RMB46,080,000	**93.34%**	93.34%	Mineral exploitation
湖北潤寶金屬礦業有限責任公司 (Hubei Rainbow Metals Co. Ltd*) (Note (b))	PRC/PRC	RMB3,944,400	**100%**	100%	Trading of metals and minerals

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

Notes:

(a) This company is directly held by the Company.

(b) These companies are indirectly held by the Company.

42. DETAILS OF SUBSIDIARIES (CONTINUED)

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

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

Name of subsidiary	Place of establishment and place of business	Proportion of ownership interests held by non-controlling interests 2016 and 2015	Profit/(loss) allocated to non-controlling interests 2016 RMB'000	Profit/(loss) allocated to non-controlling interests 2015 RMB'000	Accumulated non-controlling interests 2016 RMB'000	Accumulated non-controlling interests 2015 RMB'000
Hubei Daye	PRC	4.65%	**528**	(29,497)	**174,183**	173,655
Hui Xiang	PRC	45%	**(3,787)**	(181,534)	**(6,783)**	(2,996)
Individually immaterial subsidiaries with non-controlling interests			**1,991**	(2,857)	**(9,260)**	(11,251)
Total			**(1,268)**	(213,888)	**158,140**	159,408

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Hubei Daye

	At 31 December 2016 RMB'000	At 31 December 2015 RMB'000
Current assets	**6,844,385**	6,942,575
Non-current assets	**8,375,616**	8,109,024
Current liabilities	**(5,277,584)**	(5,862,925)
Non-current liabilities	**(6,196,556)**	(5,454,165)
Net assets	**3,745,861**	3,734,509
Equity attributable to owners of the Company	**3,571,678**	3,560,854
Non-controlling interests	**174,183**	173,655
Total equity	**3,745,861**	3,734,509

42. DETAILS OF SUBSIDIARIES (CONTINUED)

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

Hubei Daye (Continued)

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	**38,738,126**	38,985,527
Expenses	**(38,726,774)**	(39,619,869)
Profit/(loss) and total comprehensive income/(expense) for the year	**11,352**	(634,342)
Profit/(loss) and total comprehensive income/(expense) attributable to:		
Owners of the Company	**10,824**	(604,845)
Non-controlling interests	**528**	(29,497)
	11,352	(634,342)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow/(outflow) from:		
Operating activities	**1,447,367**	258,627
Investing activities	**(877,932)**	244,886
Financing activities	**(739,527)**	(504,348)
Net cash outflow	**(170,092)**	(835)

42. DETAILS OF SUBSIDIARIES (CONTINUED)

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

Hui Xiang

	At 31 December	
	2016	2015
	RMB'000	RMB'000
Current assets	**21,445**	63,479
Non-current assets	**1,261,596**	967,175
Current liabilities	**(1,048,215)**	(837,412)
Non-current liabilities	**(249,900)**	(199,900)
Net liabilities	**(15,074)**	(6,658)
Equity attributable to owners of the Company	**(8,291)**	(3,662)
Non-controlling interests	**(6,783)**	(2,996)
Total equity	**(15,074)**	(6,658)
Revenue	**733**	4,067
Expenses	**(9,148)**	(407,477)
Loss and total comprehensive expense for the year	**(8,415)**	(403,410)
Loss and total comprehensive expense attributable to:		
Owners of the Company	**(4,628)**	(221,876)
Non-controlling interests	**(3,787)**	(181,534)
	(8,415)	(403,410)
Dividends paid to non-controlling interests	**–**	–
Net cash (outflow)/inflow from:		
Operating activities	**353**	(4,402)
Investing activities	**(21,292)**	(54,124)
Financing activities	**34,685**	59,372
Net cash inflow	**13,746**	846

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	At 31 December	
	2016	2015
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**3,785,288**	3,667,439
Unlisted investments in joint ventures	**1**	1
Amounts due from subsidiaries	**457,500**	657,979
	4,242,789	4,325,419
CURRENT ASSETS		
Amounts due from subsidiaries	**38**	134,210
Amounts due from joint ventures	**140,665**	128,394
Bank balances and cash	**967**	409,572
Other current assets	**8,047**	7,773
	149,717	679,949
CURRENT LIABILITIES		
Amounts due to subsidiaries	**8,677**	1,015
Amounts due to joint ventures	**1,015**	218,061
Convertible note/bonds	**880,609**	669,908
Loans from Daye Group	**100,000**	–
Other current liabilities	**13,704**	2,750
	1,004,005	891,734
NET CURRENT LIABILITIES	**(854,288)**	(211,785)
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,388,501**	4,113,634
CAPITAL AND RESERVES		
Share capital	**727,893**	727,893
Reserves (Note (a))	**2,360,608**	2,625,011
TOTAL EQUITY	**3,088,501**	3,352,904
NON-CURRENT LIABILITIES		
Loans from a subsidiary	**300,000**	–
Convertible note	**–**	760,451
Deferred tax liabilities	**–**	279
	300,000	760,730
	3,388,501	4,113,634

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note (a):

Movements in the Company's reserves

	Share premium RMB'000	**Other reserve** RMB'000	**Convertible note/bonds equity reserve** RMB'000	**Translation reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2015	–	1,825	281,298	7,548	2,934,178	3,224,849
Loss and total comprehensive expense for the year	–	–	–	–	(703,624)	(703,624)
Issue of new ordinary shares upon conversion of convertible bonds (Notes 30 and 33)	103,786	–	–	–	–	103,786
Transfer upon conversion of convertible bonds (Note 30)	20,806	–	(20,806)	–	–	–
Reclassification due to change of functional currency of the Company (Note (v) to the consolidated statement of changes in equity)	–	–	(155,853)	(7,548)	163,401	–
At 31 December 2015	124,592	1,825	104,639	–	2,393,955	2,625,011
Loss and total comprehensive expense for the year	–	–	–	–	(264,403)	(264,403)
Redemption of convertible bonds (Note 30)	–	–	(104,639)	–	104,639	–
At 31 December 2016	124,592	1,825	–	–	2,234,191	2,360,608

44. EVENTS AFTER THE REPORTING PERIOD

(a) The Note issued by the Company to China Times matured on 7 March 2017 (the "Maturity Date"). The Note had been redeemed in full on the Maturity Date by issuance of a promissory note (the "Promissory Note") by the Company to China Times for the Renminbi equivalent of the outstanding principal amount of the Note, which had taken effect on the Maturity Date (the "Effective Date"). China Times and the Company have acknowledged and agreed that the issue of the Promissory Note will constitute full satisfaction of the amount payable by the Company to China Times on the redemption of the Note on the Maturity Date.

The principal amount together with accrued interest of the Promissory Note shall be paid either in full or by installments by no later than 6 March 2022. The interest payable under the Promissory Note shall accrue at the rate of 4.75% per annum on the outstanding principal amount from the Effective Date. Payment under the Promissory Note shall be made, at the option by the Company, by:

(i) The payment of immediately available funds in Renminbi by wire transfer to the China Time's bank account designated by China Times in writing; and/or

(ii) The allotment and issue of shares of the Company to China Times subject to compliance with applicable laws, regulations and the Listing Rules.

(b) Subsequent to the end of the reporting period, on 12 March 2017, a partial dam failure occurred at the northwestern corner of the tailings pond at Tonglvshan Mine of the Group located in Hubei Province, the PRC. The operation of the tailings pond has been suspended, while other production of such copper mine remains normal. The cause of the incident is under investigation. Please refer to the Company's announcement dated 13 March 2017 for further details of the above incident.