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

2017 ANNUAL REPORT

Mineral Resources

XINJIANG MINE

Wuqia County

5 Sareke Copper Mine

HUBEI MINES

Daye City

1 Tonglvshan Mine

2 Tongshankou Mine

Yangxin County

3 Fengshan Mine

4 Chimashan Mine

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Tan Yaoyu *(appointed as the Chairman on 1 September 2017)*
Long Zhong Sheng *(Chief Executive Officer)*
Zhai Baojin
Zhang Lin *(resigned on 18 May 2017)*

Independent Non-executive Directors:

Wang Guoqi
Wang Qihong
Liu Jishun

AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Wang Guoqi *(Chairman)*
Wang Qihong
Liu Jishun

NOMINATION COMMITTEE

Tan Yaoyu *(appointed as the Chairman on 1 September 2017)*
Wang Guoqi
Wang Qihong
Liu Jishun
Zhang Lin *(resigned on 18 May 2017)*

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

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

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Tan Yaoyu, aged 45, has been an executive director of China Daye Non-Ferrous Metals Mining Limited (the "Company") since 2012 and the chairman of the Board of the Company since September 2017. Mr. Tan is also the director of Daye Nonferrous Metals Co., Ltd ("Daye Metal"), a non-wholly owned subsidiary of the Company, 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 Communist Party Committee of Daye Nonferrous Metals Group Holding Co., Ltd. (the "Parent Company"), the controlling shareholder of the Company.

Mr. Long Zhong Sheng, aged 55, has been the Chief Executive Officer and an executive director of the Company since 2012. Mr. Long obtained a bachelor's degree in mining processing engineering from Central South University (中南大學) in 1987. He holds a master's degree in mineral processing from Central South University (中南大學) and is a senior mineral processing engineer. He began his career in mine engineering at 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 was appointed as a director of Daye Metal in October 2017. He is also a director of China Times Development Limited, the immediate controlling shareholder of the Company, and an employee of the Parent Company. Mr. Long has over 30 years of experience in the management field of mining industry.

Mr. Zhai Baojin, aged 51, 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 had served as the general manager of Daye Metal since September 2011, and its chairman and general manager since August 2017. Mr. Zhai had served as the general manager of the Parent Company since June 2010, and has been appointed as the chairman and general manager by the board of the Parent Company since August 2017. Mr. Zhai has 32 years of experience in the smelting industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Guoqi, aged 56, 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 63, has been an independent non-executive director of the Company since 2006. Mr. Wang worked in the Materials Bureau of the former Ministry of Posts and Telecommunications of the People's Republic of China and China National Postal and Telecommunications Appliances Corp. He was sent to Hong Kong by the Ministry of Posts and Telecommunications in 1991, where he served as a deputy general manager of Postel Development Co. Ltd., the Hong Kong branch of the Ministry of Posts and Telecommunications, and a deputy general manager of Town Khan Limited (Note: Town Khan Limited was one of the founders of SmarTone Telecommunications Holdings Limited (stock code: 00315) in Hong Kong, and it also participated in the listing of China Mobile Limited (stock code: 00941) in Hong Kong). Mr. Wang has participated in a number of projects regarding the modernization development and technology introduction of posts and telecommunications in the PRC since 1976, including the introduction of the first mobile communication equipment in the PRC, playing a significant role in the modernization of communication in the PRC. Mr. Wang successively graduated from Liaoning University and International College of Economics and Management (國際經濟管理學院) (currently merged with the University of International Business and Economics).

Biographical Details of Directors

Mr. Liu Jishun, aged 60, 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

Tan Yaoyu
Chairman of the Board

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 2017.

Revenue for the year ended 31 December 2017 amounted to approximately RMB33,529,012,000 (2016: RMB38,915,713,000), representing a year-on-year decline of approximately 13.84%. Loss for the year was approximately RMB91,191,000 (2016: RMB164,752,000), including a decrease of RMB140,025,000 in net profit as a result of the one-off withdrawal of retirement benefits due to the implementation of the internal early retirement scheme, representing a year-on-year decrease of approximately 44.65%.

The Group overcame the impact of the accident at the tailings pond at Tonglvshan Mine occurred on 12 March 2017, seized the favorable opportunity of rising market price and organized production for the purpose to achieve higher efficiency. During the year, a total of approximately 30,000 tonnes of mined copper was produced by the Group, up by 10.7% from the previous year. The Group also produced approximately 477,100 tonnes of copper cathode, up by 11.2% from the previous year; approximately 902.22 tonnes of precious metals (including approximately 13.61 tonnes of gold, approximately 861.81 tonnes of silver, approximately 13 kg of platinum, approximately 202 kg of palladium and approximately 26.59 tonnes of tellurium), down by 21.5% year-on-year; approximately 1,044,000 tonnes of chemical products (including approximately 1,040,100 tonnes of sulphuric acid, approximately 276 kg of ammonium perrhenate, approximately 412 tonnes of nickel sulphate, approximately 3,061 tonnes of copper sulfate and approximately 162 tonnes of crude selenium), up by 4.2% year-on-year; approximately 225,600 tonnes of iron concentrate, down by 6.8% year-on-year; and approximately 90 tonnes of molybdenum concentrate, up by 4.7% year-on-year.

Chairman's Statement

In 2017, the Group made great efforts to achieve its general task of "improving quality and effectiveness" (提質增效攻堅). In line with the main subject of "stabilizing production, targeting on the benchmark, strict management, promoting reform, strengthening principal businesses and creating a civilized culture" (穩生產、抓對標、嚴管理、促改革、強主業、創文明), production and operation were running smoothly, with improved quality and efficiency. The reform and development made steady progress and the management level continued to improve.

1. New achievements have been made in technological innovation. In order to improve quality and effectiveness and make technological progress, the Group organized and implemented 18 key scientific research projects, of which one won the first prize of China Nonferrous Metals Industry Science and Technology Award, and was granted 11 patents throughout the year.

2. Resource exploitation has showed certain effects. The Group actively promoted deep prospecting and capacity upgrade at mines, and new copper resources were identified at Tonglvshan Mine.

3. New progress has been made in project construction. The major construction of the integrated recycling project with a capacity of 200,000 tonnes of scrap copper for the smelting plant was basically completed, with gradual improvement of the "Urban Minerals" (城市礦產) project to promote the recycling of resources.

4. Safe and green development further proceeded. A number of hidden perils such as the project for closing the tailings storage facility of Tongshankou Mine have been addressed, further strengthening the safety development of the mines. Such treatment projects as exhaust gases system transformation project for smelting plant were successfully completed, which further reduced the emission of sulfur dioxide. The emission of ammonia was reduced by certain measures at rare and precious metal plant, including control of ammonia input by adjusting process indicators and filter press transformation.

At present, despite recovery of global economy, stable and improved growth of China's economy, steps taken to support the development of the real economy and expected continuous recovery of the non-ferrous metals industry, potential concerns such as the anti-globalization ideology, trade protectionism trends and capital constraints still exist. Consequently, the basis for the recovery of the global economy remains fragile and unstable since there are still more unstable factors and uncertainties. In addition, the Group will face more severe operating environment with increasingly fierce competition in the industry.

In conclusion, in 2018, it is necessary and practical for the Group to seek high quality development. The Group will focus on optimization and upgrading of its major businesses to consolidate its development foundation, and target on the benchmark to establish sophisticated, scientific and efficient market-oriented management mechanism and operation mechanism, so as to comprehensively enhance its operational efficiency and operation level.

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.

Tan Yaoyu
Chairman of the Board

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB33,529,012,000 (2016: RMB38,915,713,000), representing a decrease of approximately 13.84% from the previous year. The decrease was mainly attributable to the decline of sales volume of gold and silver and the decrease in trading volume.

Cost of sales and services rendered

For the year ended 31 December 2017, the cost of sales and services rendered of the Group amounted to approximately RMB32,601,797,000 (2016: RMB38,238,717,000), representing a decrease of approximately 14.74% from the previous year, which was primarily due to the decrease in trading volume when compared with the previous year.

Gross profit

Gross profit increased by RMB250,219,000 to RMB927,215,000, compared with RMB676,996,000 in the same period of 2016. The increase in gross profit was mainly due to the increase in copper price during the year ended 31 December 2017.

Other income

Other income for the year ended 31 December 2017 amounted to approximately RMB81,528,000 (2016: RMB95,516,000), representing a decrease of approximately 14.64% from the previous year, which was primarily due to the decrease in interest income from banks and other companies.

Other operating expenses

Other operating expenses increased by RMB188,310,000 to RMB198,591,000, compared with RMB10,281,000 in the same period of 2016. The increase was primarily due to additional provision for early retirement obligations of RMB186,700,000 which was recorded and charged to other operating expenses during the current year.

Income tax expenses

Income tax expense for the year ended 31 December 2017 amounted to approximately RMB21,661,000 (2016: RMB48,004,000), representing a decrease of approximately 54.88% from the previous year, which was primarily due to the decrease in deferred tax expense when compared with the previous year.

Loss for the year

As a result of the foregoing factors, loss for the year ended 31 December 2017 amounted to approximately RMB91,191,000 (2016: RMB164,752,000).

Loss per share

For the year ended 31 December 2017, basic loss per share amounted to RMB0.54 fen (2016: RMB0.91 fen).

MINERAL RESOURCES AND ORE RESERVES

As at 31 December 2017, the Company held a total of five mines located in Hubei and Xinjiang.

The following table sets out the mineral information of each mine as at 31 December 2017.

Abundant and high quality mineral resources

	Hubei Mines								Xinjiang Mine	
	Tonglvshan Mine		Fengshan Mine		Tongshankou Mine		Chimashan Mine		Sareke Copper Mine	
Geographical location	Daye City		Yangxin County		Daye City		Yangxin County		Wuqia county	
Ownership	95.35%		95.35%		95.35%		95.35%		55%	
Approximate total area (square kilometres)	4.76		2.35		1.71		0.44		1.28	
Year for operation commencement	1971		1972		1984		1958		2017	
Metals with economic values available for exploration	Copper, gold, silver and iron		Copper, gold, silver and molybdenum		Copper, gold, silver and molybdenum		Copper, gold, silver and molybdenum		Copper, silver	
Major products	Copper concentrate (containing gold, silver), iron concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing gold, silver), molybdenum concentrate		Copper concentrate (containing silver)	
Average copper grade	1.19%		0.8%		0.7%		0.85%		1.05%	0.82%
JORC classification	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Inferred
Ore quantity (million tonnes)	15.17	9.58	11.66	13.27	23.34	16.21	0.297	0.256	16.51	1.9
Resources metal quantity										
Copper (tonnes)	184,473	110,900	92,847	110,000	152,618	106,400	1,640	3,040	174,176	15,390
Iron (million tonnes)	3.67	2.41	–	–	–	–	–	–	–	–
Molybdenum (tonnes)	–	–	619	1,860	2,100	3,930	2	35	–	–
Gold (ounce)	287,088	195,000	–	–	–	–	–	–	–	–
Silver (thousand ounce)	3,759	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/or new exploration on the basis of historical data.

(3) All resources quantities are estimated based on information as of 31 December 2017 (for Tonglvshan Mine, Fengshan Mine, Tongshankou Mine and Sareke Copper Mine) and 31 December 2016 (for Chimashan Mine). There was no material change in the estimates for Chimashan Mine from 31 December 2016 to 31 December 2017.

(4) Xinjiang Tong Xing Mining Co., Ltd. ("Tong Xing"), a subsidiary of the Company, has received a notice (the "Notice") from the Department of Land and Resources of Xinjiang Uygur Autonomous Region in relation to the compulsory shutdown of the copper mine of Tong Xing ("Hami Mine") located in Xinjiang Lop Nur Wild Camel National Grade Natural Reserve (the "Natural Reserve"). According to the Notice, in order to implement environment protection and clear up registered mining rights in natural reserves as prescribed in the "Notice regarding Termination of Registration of Mining Rights in Natural Reserves and Relevant Matters" (Xin Guo Tu Zi Ban Fa [2017] No. 39) (《關於停止各類自然保護區內設礦業權登記相關事項的通知》(新國土資辦發[2017]39號)), Tong Xing was ordered to cease its mining, exploration and development activities in, and withdraw its staff and equipment from, Hami Mine. The mining right of Hami Mine held by Tong Xing has been cancelled. The government is separately formulating the compensation method for the cancellation of the mining right.

Tonglvshan Project Summary

As at 31 December 2017, according to JORC standard, the details of resources and reserves of the Tonglvshan Project are set out below:

Resources and reserves summary (JORC Code)

JORC classification	Copper and Iron			Gold and Silver		
	Quantity (million tonnes)	Cu (%)	Fe (%)	Quantity (million tonnes)	Au gram/ tonne	Ag gram/ tonne
Resources (CuEq>0.5%)						
Indicated	15.17	1.22	24.2	13.92	0.7	8.4
Inferred	9.58	1.2	25.2	7.08	0.9	7.3
Total	**24.75**	**1.19**	**24.5**	**21.00**	**0.7**	**8.1**
Reserves (CuEq>0.90%)						
Probable (in mining licence)	4.21	1.10	19.8	4.21	0.53	5.71
Probable (in exploration licence)	4.70	1.06	23.1	4.70	0.52	8.78
Total Probable	**8.91**	**1.08**	**21.1**	**8.91**	**0.53**	**6.98**

Note:

(1) Please refer to the explanatory notes on page 15 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 2017, according to JORC standard, the details of resources and reserves of the Fengshan Project are set out below:

Resources and reserves summary (JORC Code)

JORC classification	Quantity (million tonnes)	Cu (%)	Mo (%)	Metal Quantity Cu (tonne)	Metal Quantity Mo (tonne)
Resources (CuEq>0.4%)					
Indicated	11.66	0.8	0.005	92,847	619
Inferred	13.27	0.8	0.014	110,000	1,860
Total	**24.93**	**0.8**	**0.010**	**202,847**	**2,479**
Reserves (CuEq>0.58%)					
Probable (in mining license)	5.01	0.9	0.004		
Total Probable	**5.01**	**0.9**	**0.004**		

Note:

(1) Please refer to the explanatory notes on page 15 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

Management Discussion and Analysis

Tongshankou Project Summary

As at 31 December 2017, according to JORC standard, the details of resources and reserves of the Tongshankou Project are set out below:

Resources and reserves summary (JORC Code)

Cut Off Grade	JORC Classification	Quantity (million tonnes)	Cu (%)	Mo (%)
Resources				
In licence	Indicated	6.51	0.6	0.011
Open cut area	Inferred	0.11	0.4	0.003
CuEq>0.3%	**Total**	**6.62**	**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	0.4	0.033
Underground area	Inferred	1.69	0.8	0.040
CuEq>0.4%	**Total**	**1.75**	**0.8**	**0.040**
Total	Indicated	23.34	0.7	0.009
Open cut & underground area	Inferred	16.21	0.7	0.024
In and out of licence	**Total**	**39.55**	**0.7**	**0.015**
Reserves				
Open cut area (CuEq>0.38%)	Probable	5.84	0.58	0.013
Underground area (CuEq>0.61%)	Probable	2.85	0.83	0.005
	Total	**8.69**	**0.66**	**0.011**

Note:

(1) Please refer to the explanatory notes on page 15 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

Chimashan Project Summary

According to JORC standard, the details of resources and reserves of the Chimashan Project are set out below:

Resources and reserves summary (JORC Code)

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

Note:

(1) Please refer to the explanatory notes on page 15 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

(2) There was no material change in these estimates during the period from 31 December 2016 to 31 December 2017.

Management Discussion and Analysis

Sareke Project Summary

As at 31 December 2017, according to JORC standard, the details of resources and reserves of the Sareke Project are set out below:

Mineral Resources summary (JORC Code)

	JORC Classification	Resources tonnage (million tonnes)	Copper grade (%)	Copper metal (tonnes)
Resources	Indicated	16.51	1.05	174,176
	Inferred	1.9	0.82	15,390
	Total	**18.41**	**1.03**	**189,566**

Minerals reserves summary (JORC Code)

	Elevation (m)	Probable		Metal Quantity
		Tonnage (1,000 tonnes)	Copper (%)	(tonne)
	>=2,900	475	0.96	4,555
	2,790~2,900	717	0.81	5,792
Reserves	2,730~2,790	380	1.05	3,977
	2,670~2,730	3,965	1.45	57,448
	<=2,670	2,561	0.71	18,120
	Total	**8,098**	**1.11**	**89,892**

Note:

(1) Please refer to the explanatory notes on page 15 for details of the assumptions and parameters used to calculate these resource and reserve numbers and quantities of metals.

Notes for the above tables:

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

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

(3) Mineral resources were defined within a mineralized envelop above 0.3% 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.

Management Discussion and Analysis

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

Description of activities

The following table sets out the various exploration, development and mining production activities of the Group conducted at each of our mines during the year ended 31 December 2017:

Mines	Exploration activities	Development activities	Mining production activities
Tonglvshan Mine	1. Drilling depth of capacity upgrade reached 2,900.1m/10 holes. 2. Drilling depth of continuation of integrated in-depth investigation and surrounding investigation of Tonglvshan Mine reached 5,530.68m/11 holes.	The completed tunnel drilling volume of the development of No. XI ore body of Tonglvshan Mine was 53,079m^3 as at the end of December, with completion of installation of the air duct, water pipeline, wire and cable, etc.; the installation of the water pump for the -965m and the installation of 2 water pumps for the -1,120m middle portion were completed as at the end of December; the completed drilling volume of the development for the -545m to -605m middle portion of Tonglvshan Mine was 29,821m^3 as at the end of December.	Copper: 9,717 tonnes Gold: 500 kg Silver: 3,854 kg Iron concentrates: 225,600 tonnes
Fengshan Mine	Prepared reports for capacity upgrade and geological investigation of east of No.7 Line.	The completed drilling volume of the development for the -320m to -440m middle portion of Fengshan Mine was 14,303.1m^3 in 2017.	Copper: 5,100 tonnes Gold: 134 kg Silver: 4,230 kg Molybdenum: 84 tonnes
Tongshankou Mine	Horizontal drilling reached 3,010.55m/37 holes, and pit drilling reached 754.3m/8,317.6m^3.	The completed drilling volume for the development of the -220m to -280m middle portion of Tongshankou Mine was 46,027.3m^3 in 2017, with completion of installation of the drainage pipe and mud pipe in the shaft.	Copper: 4,740 tonnes Silver: 1,661 kg Molybdenum: 6 tonnes
Chimashan Mine	No significant progress was made in 2017.		
Sareke Copper Mine	1. The exploration primarily focused on the pit of the northern mine where horizontal drilling reached 5,573.1m/135 holes, and pit drilling reached 665.2m/8,408.1m^3. 2. The Southern mine is in the process of preliminary design.	For the Sareke Copper Mine, the total completed drilling volume was 2,584.57m/34,083.61m^3, of which the accumulative completed drilling volume for the development of the 2,640m to 2,670m portion was 1,758.75m/23,639.81m^3; the accumulative completed drilling volume for the development of the 2,670m to 2,730m middle portion was 647.52m/8,434.02m^3; the accumulative completed drilling volume for the development of the 2,790m to 2,850m portion was 178.3m/2,009.78m^3.	Copper: 10,397 tonnes Silver: 9,082 kg

Expenditures incurred

During 2017, we incurred approximately RMB1,630,782,000 (2016: RMB1,429,838,000) on exploration, development and mining production activities, details of which are set out below:

Unit: RMB'000

Mines	Operating expenses	Capital expenditure	2017 Total	2016 Total
Tonglvshan Mine	503,065	161,808	664,873	632,543
Fengshan Mine	200,179	29,971	230,150	220,156
Tongshankou Mine	248,466	160,802	409,268	424,073
Chimashan Mine	8,343	–	8,343	12,030
Sareke Copper Mine	307,146	11,002	318,148	141,036
Total	1,267,199	363,583	1,630,782	1,429,838

Exploration, Development and Mining Expenditures

Unit: RMB'000

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine
Exploration activities					
Drilling and analysis	12,947	1,877	3,170	–	9,736
Others	–	–	–	–	–
Sub-total	12,947	1,877	3,170	–	9,736
Development activities (including mine construction)					
Purchases of assets and equipment	20,095	885	4,288	–	1,266
Civil work for construction of tunnels and roads	123,112	26,170	137,075	–	–
Staff cost	–	–	–	–	–
Others	5,654	1,039	16,269	–	–
Sub-total	148,861	28,094	157,632	–	1,266
Mining activities (including ore processing)					
Auxiliary materials	36,204	13,318	21,323	–	24,223
Power supply	36,698	18,130	20,648	–	14,456
Staff cost	134,067	75,812	61,043	3,645	39,128
Depreciation	106,257	23,506	81,553	–	81,841
Taxes, resource compensation	25,557	12,296	12,466	618	53,043
Sub-contracting service	31,599	9,232	3,792	–	65,059
Others (administrative fees, selling expenses, non-operating expenditures)	132,683	47,885	47,641	4,080	29,396
Sub-total	503,065	200,179	248,466	8,343	307,146
Total	664,873	230,150	409,268	8,343	318,148

Management Discussion and Analysis

Infrastructure projects, subcontracting arrangements and purchases of equipment

During 2017, the new contracts entered into and commitments undertaken by the Group in relation to exploration, development and mining production activities were as follows:

Unit: RMB'000

Mine	Infrastructure projects	Subcontracting arrangements	Purchase of equipment	Total
Tonglvshan Mine	55,731	–	25,150	80,881
Fengshan Mine	42,283	–	3,519	45,802
Tongshankou Mine	69,434	–	2,001	71,435
Chimashan Mine	–	–	–	–
Sareke Copper Mine	9,736	–	1,266	11,002
Total	177,184	–	31,936	209,120

OPERATING OBJECTIVES AND STRATEGIES IN 2018

The main production targets of the Group for 2018 include producing 29,800 tonnes of mined copper, 496,400 tonnes of copper cathode, 10 tonnes of gold, 1,000 tonnes of silver, 1,000,000 tonnes of sulphuric acid, 217,000 tonnes of iron concentrate, 13 kg of platinum, 200 kg of palladium, 370 tonnes of nickel sulfate (containing metal), 175 tonnes of crude selenium, 25 tonnes of tellurium, 900 tonnes of copper sulfate, 370 kg of ammonium perrhenate, 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 strengthen resources development and enhance resource reserves

The Group will continue to advance the in-depth mine exploration to the west of the base line of Tonglvshan Mine with an aim to make new progress, and commence the prospecting work of the Southern mine of Sareke Copper Mine 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 reserves. The Group will accelerate its application for deep mining license to expand mining coverage of its mines, and complete reserves verification at Fengshan Mine and Tongshankou Mine. The Group will speed up the development of the -545m to -605m middle portion of Tonglvshan Mine, the installation of underground water pump room and power distribution cabinet for the -280m middle portion of Tongshankou Mine, and the construction of the main ramps for -440m to -740m of southern edges and the development of the -440m middle portion of Fengshan Mine.

2. To align with the market and improve operating quality

Focusing on process restructuring, the Group will endeavour to align itself with the selected industrial-leading enterprises with respect to staff, process and components in a comprehensive way in order to improve its cash cost control to a leading position in the industry gradually and further improve its efficiency. It will continue to optimize the structure of human resources based on the principle of business capability and high-efficiency, aiming for over 30% increase in labor productivity by the end of the 13th Five-Year Plan.

3. To accelerate the informatization construction and promote the integration of informatization and industrialization

The Group will coordinate its informatization construction, and develop detailed construction planning and implementation plan of informatization system. The Group will comprehensively implement an operational control model of unattended remote control and regular inspection for those positions in charge of air blowers, water pumps and etc., so as to improve the automation level of the production system.

4. To highlight independent innovation and continuously enhance technology to support business development

Based on the strategic development demand and the actual production and operation, the Group will strengthen the transformation and application of technological innovation and scientific achievements to provide technical support for improving quality and effectiveness. The Group will promote the application of mine engineering software system to achieve standardization, regulation and refinement of reserves management and enhance the level of mine informatization construction of the Group. Patent applications and science and technology awards applications will be carried out, the Group strives to achieve great breakthrough on scientific and technological achievements in 2018.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

EQUITY

The Company's issued and fully paid share capital as at 31 December 2017 amounted to approximately RMB727,893,000 divided into 17,895,579,706 ordinary shares of HK$0.05 each.

FINANCIAL MANAGEMENT AND TREASURY POLICY

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

During the year ended 31 December 2017, the Group's receipts and payments were mainly denominated in RMB.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had restricted bank deposits, restricted deposits and bank balances, bank and other deposits and cash of approximately RMB1,177,511,000 (2016: RMB1,191,443,000), the majority of which were denominated in Renminbi. The Group's current ratio was approximately 1.02 (2016: 1.02), based on current assets of approximately RMB6,805,400,000 (2016: RMB6,810,935,000) divided by current liabilities of approximately RMB6,666,410,000 (2016: RMB6,644,835,000). The Group's gearing ratio as at 31 December 2017 was approximately 338.41% (2016: 345.36%), based on net debts (which included bank and other borrowings and promissory note less restricted bank deposits, restricted deposits (excluding other deposits held in futures exchanges and certain financial institutions as security for the commodities derivative and gold forward contracts) and bank balances, bank and other deposits and cash) of approximately RMB7,998,949,000 (2016: RMB8,499,169,000) divided by equity attributable to owners of the Company of approximately RMB2,363,712,000 (2016: RMB2,460,959,000). The decrease in gearing ratio was attributable to the decrease in bank and other borrowings of the Group.

As at 31 December 2017, the Group had sufficient funding to pay off all its outstanding liabilities and meet its working capital requirement.

Management Discussion and Analysis

BORROWINGS

As at 31 December 2017, the Group's total debts (which comprise non-current and current bank and other borrowings and promissory note) amounted to approximately RMB9,035,046,000 (2016: RMB9,662,171,000).

As at 31 December 2017, the Group had bank and other borrowings of approximately RMB3,058,032,000 (2016: RMB2,488,269,000) and RMB5,085,477,000 (2016: RMB6,293,293,000) which was due within one year and after one year respectively. The majority of the Group's bank and other borrowings were denominated in Renminbi. The majority of the Group's bank and other borrowings were at fixed interest rate.

FOREIGN EXCHANGE RISK

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

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

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2017.

CHARGES ON ASSETS

As at 31 December 2017, other deposits which amounted to RMB141,414,000 (2016: RMB28,441,000) were held in futures exchanges and certain financial institutions as security for the commodities derivative and gold forward contracts, and other financing were secured by bank deposits and balances amounting to RMB78,985,000 (2016: RMB46,250,000).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group provided guarantees to banks in favour of a joint venture of the Group in respect of the banking facilities provided by the banks to that joint venture, the details of which are disclosed in note 40 to the consolidated financial statements.

Report of the Directors

The directors of the Company (the "Directors") have the pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

BUSINESS REVIEW

A review of the business of the Group during the year as well as a discussion on the Group's future business development are contained in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 6 and pages 18 to 19 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:

	2017	2016
Gross Profit Margin	2.77%	1.74%
Debt to Assets Ratio	84.07%	83.73%
Current Ratio	1.02	1.02
Assets Turnover Ratio	2.10	2.38

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 kept in step with "accelerating the construction of ecological civilization" of the 19th National Congress, adhered to the philosophy of "building modernization with harmony between mankind and nature", and 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》). The Group continued to advance the cleaning production and energy conservation and emission reduction and make sure the effective operation of the environmental management system. A number of tasks and targets were well achieved. Thus laying a solid foundation for "winning the battle of making our skies blue again".

1. Annual environmental goals and criteria were basically achieved

   In 2017, there were no incidents of large-scale or above environmental pollution. The annual environmental goals were achieved. Recycling rate of industrial waste water from smelting process was 98.01%, water consumption for production of each ton of copper was 9.39 tonnes, and emission of sulfur dioxide was 1,748 tonnes, all met the environmental enhancement criteria set at the beginning of the year.

2. Environmental control has made initial achievements by increased environmental investments

   We focused on the promotion of projects such as unorganized emission control of converter for smelting plant, upgrading and transformation of sewage treatment system for smelting plant. The smoke and gas discharge of converter for smelting plant will be improved to a certain extent; after enhancement and transformation of the sewage treatment system for smelting plant, the quality of the waste water upon treatment by the system will meet the national standards (first grade A discharge standard for municipal wastewater treatment plant) and the treated waste water will be discharged into the Yangtze River via drainage network.

Report of the Directors

Compliance with Laws and Regulations

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

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

The laws and regulations on energy clearly stipulate the requirements and standards about use of energy 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 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. There was no non-compliance with laws and regulations relating to energy by the Group in 2017.

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 monitored pollutant emissions in real time to avoid excessive emission 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》). The Group has strictly adhered to national environmental laws and regulations, and there was no material non-compliance with environmental laws and regulations in 2017.

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, 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》). During 2017, there were no other general or above production security incidents suffered by the Group except for a partial dam failure occurred at the northwestern corner of tailings pond at Tonglvshan Mine, details of which are set out in the announcements of the Company dated 13 March 2017 and 6 March 2018.

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

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

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 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.

After establishing a business relationship with suppliers, the Company will seek partnership of cooperation and mutual assistance to jointly develop and expand market share and achieve its goal to bring benefit to both sides of the relationships.

In addition, the Group continues to secure a group of copper ore suppliers by regularly conducting various evaluations and ratings to create a healthy environment for suppliers, 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 organisational structure of efficient management and operation, adequate resources and necessary capabilities. Our organisational structure has been continuously optimised to streamline the management functions of the Company, so as to realise the model requirements of capable organisational structure, sophisticated business process, optimal resource allocation as well as efficient management and operation, and meet the needs of the Group's strategic development in the near future. The tables below set out the details of the Group's employee distribution as at the end of 2017:

Age				
Below 18	18 to 29	30 to 39	40 to 49	50 or above
–	583	2,642	3,356	672

Gender	
Male	Female
5,463	1,790

Employment Type	
Permanent	Short-term contract
100%	–

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

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.

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 2017:

% of employees trained		Average training hours per employee
Male	Female	Number of hours
80	70	28

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 2017:

Voluntary turnover rate (%)				
Below 18	18 to 29	30 to 39	40 to 49	50 or above
–	0.483	0.317	0.165	0.014

Voluntary turnover rate (%)		
Male	Female	Overall
0.896	0.083	0.979

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

Report of the Directors

FIVE-YEAR FINANCIAL SUMMARY

A summary of the financial information of the Group for each of the five years ended 31 December 2017 is presented below.

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

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**33,529,012**	38,915,713	39,361,792	42,808,295	43,598,452
(Loss)/profit for the year attributable to:					
Owners of the Company	**(97,247)**	(163,484)	(976,337)	(95,553)	(1,949,229)
Non-controlling interests	**6,056**	(1,268)	(213,888)	(31,016)	(18,496)
Loss for the year	**(91,191)**	(164,752)	(1,190,225)	(126,569)	(1,967,725)

Summary of selected items of consolidated statement of financial position

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Current assets	**6,805,400**	6,810,935	7,577,245	7,837,227	8,899,313
Non-current assets	**9,067,141**	9,285,156	8,995,000	9,329,377	8,895,871
Total assets	**15,872,541**	16,096,091	16,572,245	17,166,604	17,795,184
Liabilities					
Current liabilities	**6,666,410**	6,644,835	7,467,210	7,494,605	8,845,645
Non-current liabilities	**6,678,223**	6,832,157	6,321,184	5,752,932	4,976,939
Total liabilities	**13,344,633**	13,476,992	13,788,394	13,247,537	13,822,584
	2,527,908	2,619,099	2,783,851	3,919,067	3,972,600
Equity attributable to owners of the Company	**2,363,712**	2,460,959	2,624,443	3,545,771	3,568,288
Non-controlling interests	**164,196**	158,140	159,408	373,296	404,312
	2,527,908	2,619,099	2,783,851	3,919,067	3,972,600

Report of the Directors

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in note 45 to the consolidated financial statements.

The Group's revenue and segment information for the year ended 31 December 2017 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 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil). No interim dividend was declared during the year (2016: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2017 is set out in note 34 to the consolidated financial statements.

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 December 2017.

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 2017 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had retained profits of RMB2,185,693,000 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.

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors

Tan Yaoyu *(appointed as the Chairman on 1 September 2017)*
Long Zhong Sheng
Zhai Baojin
Zhang Lin *(resigned on 18 May 2017)*

Independent Non-executive Directors

Wang Guoqi
Wang Qihong
Liu Jishun

Pursuant to Bye-law 87(2) 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(3) of the Bye-laws of the Company, a retiring Director shall be eligible for re-election. Accordingly, each of Tan Yaoyu and Zhai Baojin 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 2017, 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 2017.

Save as disclosed above as at 31 December 2017, 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 2017, 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 2017
China Times Development Limited	Beneficial owner	11,962,999,080 shares	66.85% *(Note 3)*
Daye Nonferrous Metals Group Holding Co., Ltd.	Interest in a controlled corporation	11,962,999,080 shares *(Note 1)*	66.85% *(Note 3)*
China Cinda (HK) Asset Management Co., Limited	Beneficial owner	936,953,542 shares	5.24% *(Note 3)*
China Cinda Asset Management Co., Limited	Interest in a controlled corporation	936,953,542 shares *(Note 2)*	5.24% *(Note 3)*

Notes:

1. 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.

2. 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.

3. This percentage is calculated based on 17,895,579,706 issued shares of the Company as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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 2017.

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 2017.

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 2017.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, 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	11%
– Five largest customers	34%

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

– The largest supplier	19%
– Five largest suppliers	51%

At no time during the year ended 31 December 2017 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 2017, 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, which were subject to annual review and relevant requirements under Chapter 14A of the Listing Rules. Details of their relationship with the Company are set out below:

Entity	Relationship with the Company
Parent Company	Parent Company is the controlling shareholder of the Company and is therefore a connected person of the Company.
China Nonferrous Metal Mining (Group) Co., Ltd ("CNMC", together with its subsidiaries, the "CNMC Group")	CNMC is a controlling shareholder of the Company and is therefore a connected person of the Company.
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 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.

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.

Report of the Directors

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 RMB18,502,000. The annual cap for the year of 2018 is RMB18,502,000. The annual cap for the year of 2019 is RMB18,502,000. 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.

Except for transactions with a joint venture, the related party transactions in note 41 to the consolidated financial statements constitute connected transactions or continuing connected transactions 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.

Report of the Directors

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 2017, the Group had 7,253 employees (2016: 7,705). The Group's total staff costs for the year was approximately RMB815,432,000 (2016: RMB631,442,000). 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 2017 and as of the date of this report.

EVENTS AFTER THE REPORTING PERIOD

The Group had no 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 2017. 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.

On behalf of the Board
Tan Yaoyu
Chairman

Corporate Governance Report

The Company recognizes the importance of maintaining a high standard of corporate governance. The Company believes that an effective corporate governance practice is fundamental to enhancing shareholder value and safeguarding the interests of Shareholders and other stakeholders. The Board sets appropriate policies and implements corporate government practices appropriate to the conduct and growth of the Group's business. The code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") have been adopted to shape the Company's corporate governance structure. This corporate governance report describes how the principles of the CG Code have been applied during the year ended 31 December 2017 under different aspects.

CG CODE COMPLIANCE

For the year ended 31 December 2017, the Company had complied with the code provisions of the CG Code except for deviations from code provisions A.4.1, A.5.1 and E.1.2 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.

Pursuant to code provision A.5.1 of the CG Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. As disclosed in the announcement of the Company dated 18 May 2017, with effect from 18 May 2017, Mr. Zhang Lin has resigned as, among other things, the chairman of the nomination committee of the Company (the "Nomination Committee") due to his other business commitments. As disclosed in the announcement of the Company dated 1 September 2017, Mr. Tan Yaoyu has been appointed as the chairman of the Board and the chairman of the Nomination Committee with effect from 1 September 2017.

Pursuant to code provision E.1.2 of the CG Code, the chairmen of the board and board committees should attend the annual general meeting of the Company held on 12 June 2017. As disclosed in the announcement of the Company dated 18 May 2017, with effect from 18 May 2017, Mr. Zhang Lin has resigned as an executive Director, the chairman of the Board and the chairman of the Nomination Committee due to his other business commitments. However, Mr. Zhai Baojin, the executive Director of the Company, took the chair of that meeting and all other members of the Nomination Committee attended the above-mentioned annual general meeting to be available to answer questions thereat.

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 2017.

Corporate Governance Report

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Board comprises three executive Directors (including the Chairman of the Board) and three independent non-executive Directors, whose biographical details are set out in the "Biographical Details of Directors" section on pages 3 to 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		
Tan Yaoyu *(appointed as the Chairman on 1 September 2017)*	22 March 2012	30 May 2016
Long Zhong Sheng *(Chief Executive Officer)*	22 March 2012	12 June 2017
Zhai Baojin	22 March 2012	30 May 2016
Independent Non-Executive Director		
Wang Qihong	13 January 2006	12 June 2017
Wang Guoqi	13 January 2006	12 June 2017
Liu Jishun	31 July 2014	12 June 2017

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 2017, 4 Board meetings and 1 general meeting of the Company were held. The meetings are structured to allow open discussion. At the Board meetings, the Directors participated in discussing the strategies, operational and financial performance, corporate governance policy and internal control of the Group.

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

Name of Director	No. of meetings attended/ Eligible to attend Board meeting	General meeting
Executive Director		
Tan Yaoyu *(appointed as the Chairman on 1 September 2017)*	4/4	1/1
Long Zhong Sheng *(Chief Executive Officer)*	4/4	1/1
Zhai Baojin	4/4	1/1
Zhang Lin *(resigned on 18 May 2017)*	1/1	0/0
Independent Non-Executive Director		
Wang Qihong	4/4	1/1
Wang Guoqi	4/4	1/1
Liu Jishun	4/4	1/1

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

Notices of 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.

Corporate Governance Report

Continuing professional development

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

During the year ended 31 December 2017, the Company provided training materials to the Directors and the management of the Company regarding the Listing Rules and other applicable regulatory requirements.

A summary of the trainings participated by the Directors during the year ended 31 December 2017 is as follows:

	Mode of Continuous Professional Development Training
Name of Director	**Reading materials and/ or attending seminars**
Executive Director	
Tan Yaoyu	✓
Long Zhong Sheng	✓
Zhai Baojin	✓
Independent Non-Executive Director	
Wang Guoqi	✓
Wang Qihong	✓
Liu Jishun	✓

Permitted Indemnity Provisions

During the financial year ended 31 December 2017 and up to the date of this Report, the Company has in force indemnity provisions under its Bye-laws as permitted under applicable laws.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with code provision A.2.1 of the CG Code, the roles of the Chairman, Mr. Tan Yaoyu, and those of the Chief Executive Officer, Mr. Long Zhong Sheng, are segregated in order to reinforce their independence and accountability.

Mr. Tan Yaoyu 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 2017, 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 2017, 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			
Tan Yaoyu *(appointed as the Chairman on 1 September 2017)*	–	–	Chairman
Long Zhong Sheng	–	–	–
Zhai Baojin	–	–	–
Zhang Lin *(resigned on 18 May 2017)*	–	–	Chairman
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 2017:

		Other emoluments			
	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Bonus RMB'000	Total RMB'000
2017					
Executive Directors					
Mr. Tan Yaoyu	–	640	39	–	679
Mr. Long Zhong Sheng	1,426	31	55	463	1,975
Mr. Zhai Baojin	–	724	39	–	763
Mr. Zhang Lin*	–	446	16	–	462
Independent Non-executive Directors					
Mr. Wang Guoqi	87	–	–	–	87
Mr. Wang Qihong	87	–	–	–	87
Mr. Liu Jishun	87	–	–	–	87
	1,687	1,841	149	463	4,140

* Mr. Zhang Lin resigned on 18 May 2017.

During the year ended 31 December 2017, 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 2017, the Nomination Committee held 1 meeting. The Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) 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
Tan Yaoyu *(appointed as the Chairman on 1 September 2017)*	Executive Director	Chairman	0/0
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
Zhang Lin *(resigned on 18 May 2017)*	Executive Director	Chairman	0/0

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	3/3
Wang Qihong	Independent non-executive Director	Member	3/3
Liu Jishun	Independent non-executive Director	Member	3/3

During the year ended 31 December 2017, 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 2017. 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 2017, 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:

	2017 RMB'000
Audit Services	2,974
Non-audit Services	998
Total	3,972

The above non-audit services mainly included the review of the Group's interim report for the six months ended 30 June 2017.

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 2017, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable, and has prepared the accounts on a going concern basis.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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 2017, 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 provisions 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 a high degree of transparency to ensure the investors and the Shareholders are receiving accurate, clear, comprehensive and timely information of the Group via the publication of annual reports, interim reports, press releases and announcements, and also the Company's website at www.hk661.com.

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

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

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

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

Our investor relations activities include:

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

Independent Auditor's Report

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 60 to 144, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 attributable to a copper mine	
We identified the impairment assessment of property, plant and equipment, prepaid lease payments and mining rights attributable to a copper mine located in Xinjiang, the People's Republic of China, held by the Group as a key audit matter due to the significance of the balances of these assets, and of management judgements and assumptions involved as part of the impairment review as disclosed in Note 4 to the consolidated financial statements. As disclosed in Note 15 to the consolidated financial statements, the Group recognised an impairment loss of RMB483,362,000 on these assets during and for the year ended 31 December 2015. The aggregate carrying amount of these assets as at 31 December 2017 is RMB1,116,246,000. Any further impairment loss or reversal of impairment loss could have a significant financial impact on 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 cash-generating unit ("CGU").	Our procedures in relation to impairment assessment of property, plant and equipment, prepaid lease payments and mining rights attributable to the copper mine included: • Evaluating the design and implementation of the controls relevant to our audit on the recoverable amounts relating to the impairment assessment of property, plant and equipment, prepaid lease payments and mining rights attributable to such copper mine; • Evaluating the appropriateness of the key assumptions and inputs used in the cash flow projections, including the discount rate, budgeted sales and gross margin based on our knowledge of the mining industry and the CGU's past performance; and • Examining the 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, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

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
29 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	5, 6	**33,529,012**	38,915,713
Cost of sales and services rendered	11	**(32,601,797)**	(38,238,717)
Gross profit		**927,215**	676,996
Other income	7	**81,528**	95,516
Selling expenses		**(76,603)**	(49,232)
Administrative expenses		**(352,600)**	(355,127)
Other operating expenses		**(198,591)**	(10,281)
Other gains and losses	8	**(39,064)**	(66,183)
Finance costs	9	**(404,131)**	(416,556)
Share of results of joint ventures		**(7,284)**	8,119
Loss before tax		**(69,530)**	(116,748)
Income tax expenses	10	**(21,661)**	(48,004)
Loss and total comprehensive expense for the year	11	**(91,191)**	(164,752)
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(97,247)**	(163,484)
Non-controlling interests		**6,056**	(1,268)
		(91,191)	(164,752)
Loss per share	14		
– Basic		**RMB(0.54) fen**	RMB(0.91) fen
– Diluted		**RMB(0.54) fen**	RMB(0.91) fen

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**7,346,061**	7,550,233
Exploration and evaluation assets	16	**44,294**	63,427
Prepaid lease payments	17	**698,534**	693,460
Intangible assets	18	**666,249**	637,768
Interests in joint ventures	19	**41,254**	48,538
Deferred tax assets	20	**160,359**	182,020
Restricted bank deposits	25	**39,000**	39,000
Long term deposits	23	**71,390**	70,710
		9,067,141	9,285,156
CURRENT ASSETS			
Prepaid lease payments	17	**21,451**	20,951
Inventories	21	**4,813,802**	4,806,747
Trade and bills receivables	22	**518,557**	423,874
Prepayments and other receivables	23	**295,834**	337,489
Derivative financial instruments	24	**17,245**	69,431
Restricted deposits and bank balances	25	**181,399**	35,691
Bank and other deposits and cash	25	**957,112**	1,116,752
		6,805,400	6,810,935
CURRENT LIABILITIES			
Trade and bills payables	26	**2,484,878**	2,032,182
Other payables and accrued expenses	27	**1,034,416**	1,041,550
Bank and other borrowings	28	**3,058,032**	2,488,269
Derivative financial instruments	24	**50,734**	197,845
Convertible note	30	**–**	880,609
Early retirement obligations	33	**38,350**	4,380
		6,666,410	6,644,835
NET CURRENT ASSETS		**138,990**	166,100
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,206,131**	9,451,256

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital	34	**727,893**	727,893
Share premium and reserves		**1,635,819**	1,733,066
Equity attributable to owners of the Company		**2,363,712**	2,460,959
Non-controlling interests		**164,196**	158,140
TOTAL EQUITY		**2,527,908**	2,619,099
NON-CURRENT LIABILITIES			
Bank and other borrowings	28	**5,085,477**	6,293,293
Promissory note	31	**891,537**	–
Interest payable for promissory note	31	**34,807**	–
Payables for purchase of property, plant and equipment	27	**282,564**	259,802
Amounts due to Daye Nonferrous Metals Group Holding Co., Ltd ("Daye Group", an intermediate holding company of the Company)	27	**30,171**	–
Provision for mine rehabilitation, restoration and dismantling	29	**44,085**	42,801
Deferred income	32	**206,492**	225,661
Early retirement obligations	33	**103,090**	10,600
		6,678,223	6,832,157
		9,206,131	9,451,256

The consolidated financial statements on pages 60 to 144 were approved and authorised for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:

Tan Yaoyu
DIRECTOR

Long Zhong Sheng
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	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 bonds equity reserve RMB'000 (Note (v))	Translation reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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	–	–	–	–	–	–	(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**
(Loss)/profit and total comprehensive (expense)/income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(97,247)**	**(97,247)**	**6,056**	**(91,191)**
Appropriation of maintenance and production funds	**–**	**–**	**–**	**–**	**–**	**62,194**	**–**	**–**	**(62,194)**	**–**	**–**	**–**
Utilisation of maintenance and production funds	**–**	**–**	**–**	**–**	**–**	**(56,779)**	**–**	**–**	**56,779**	**–**	**–**	**–**
At 31 December 2017	**727,893**	**1,554,303**	**124,592**	**4,373,075**	**(4,184,848)**	**112,015**	**–**	**5,876**	**(349,194)**	**2,363,712**	**164,196**	**2,527,908**

Notes:

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

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

(iii) Other reserve represents the deemed contribution from a then shareholder during the group reorganisation in 2012.

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

Statutory surplus reserve

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

Specific reserve for maintenance and production funds

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

(v) On 30 May 2013, the Company issued RMB820,000,000 0.5% convertible bonds (the "Bonds") which were listed on the Mainboard of the Hong Kong Stock Exchange (as defined in Note 1). During the prior 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 accumulated losses upon the redemption.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December 2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(69,530)**	(116,748)
Adjustments for:		
Interest income	**(42,957)**	(61,344)
Finance costs	**404,131**	416,556
Share of results of joint ventures	**7,284**	(8,119)
Exchange (gains)/losses, net	**(52,417)**	125,732
Depreciation and amortisation	**669,368**	589,217
Additional provision for early retirement obligations	**186,700**	–
Loss on disposal of property, plant and equipment, net	**601**	4,640
Gain on disposal of prepaid lease payments	**(212)**	–
(Reversal of impairment loss)/impairment loss on trade receivables	**(23)**	169
(Reversal of impairment loss)/impairment loss on other receivables	**(869)**	5
Losses/(gains) on fair value changes in respect of:		
Commodity derivatives contracts	**12,951**	(5,903)
Currency forward contracts	**26,939**	(24,835)
Currency option contracts	**26,369**	–
Gold forward contracts	**(195,329)**	192,437
Gold loans designated as financial liabilities at fair value through profit or loss	**211,842**	(171,211)
Fair value gain on derivative component of convertible note	**(1)**	(19,381)
Write-down of inventories, net	**8,728**	14,110
Impairment loss on property, plant and equipment	**–**	1,859
Deferred income recognised	**(18,459)**	(18,007)
Premium on redemption of convertible bonds	**–**	10,397
Operating cash flows before movements in working capital	**1,175,116**	929,574
Increase in inventories	**(15,783)**	(157,963)
Decrease in derivative financial instruments, net	**34,145**	82,244
Increase in trade and bills receivables	**(94,660)**	(238,604)
(Increase)/decrease in prepayments and other receivables	**(31,704)**	337,369
Increase in trade and bills payables	**452,696**	375,039
Increase/(decrease) in other payables and accrued expenses	**161,405**	(117,675)
(Increase)/decrease in other deposits	**(112,973)**	109,815
Benefits paid for early retirement obligations	**(65,130)**	(6,949)
Cash generated from operations	**1,503,112**	1,312,850
Income taxes paid	**–**	(351)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,503,112**	1,312,499

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**26,263**	58,198
Payments for property, plant and equipment	**(478,108)**	(670,226)
Payments for exploration and evaluation assets	**(25,920)**	(6,820)
Payments for intangible assets	**(31,330)**	(1,180)
Payments for prepaid lease payments	**(29,581)**	(13,422)
Proceeds from disposal of property, plant and equipment	**3,251**	204
Proceeds from disposal of prepaid lease payments	**2,768**	–
Receipts of government grants	**–**	526
Repayments from joint ventures	**70,487**	47,953
Placement of restricted bank deposits and bank balances	**(1,384,697)**	(325,607)
Release of restricted bank deposits and bank balances	**1,351,962**	729,337
Placement of pledged deposits for other loans	**–**	(39,000)
Payments for short-term investments	**(500,000)**	(100,000)
Proceeds from disposal of short-term investments	**515,370**	101,745
NET CASH USED IN INVESTING ACTIVITIES	**(479,535)**	(218,292)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new bank borrowings	**6,500,386**	5,143,750
Repayments of bank borrowings	**(7,079,941)**	(5,790,195)
Proceeds from other loans	**–**	500,000
Repayments of other loans	**(1,000)**	(500)
Advance from Daye Group	**456,568**	561,061
Repayments to Daye Group	**(497,102)**	(1,032,396)
Advance from Daye Nonferrous Metals Group Finance Co., Ltd ("Daye Finance Company", a fellow subsidiary of the Company)	**340,000**	352,000
Repayment to Daye Finance Company	**(390,000)**	(305,000)
Proceeds from gold loans	**2,893,475**	2,023,732
Repayments of gold loans	**(3,038,965)**	(1,590,989)
Advance from a fellow subsidiary	**230,620**	114,488
Repayments to a fellow subsidiary	**(212,825)**	–
Repayments to a joint venture	**(1,152)**	(230,677)
Finance costs paid	**(378,580)**	(322,566)
Repayments of convertible bonds	**–**	(694,397)
NET CASH USED IN FINANCING ACTIVITIES	**(1,178,516)**	(1,271,689)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(154,939)**	(177,482)
Cash and cash equivalents at the beginning of the year	**1,116,752**	1,293,899
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(4,701)**	335
Cash and cash equivalents at the end of the year	**957,112**	1,116,752
REPRESENTED BY:		
Bank and other deposits and cash	**957,112**	1,116,752

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

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 Nonferrous Metal Mining (Group) Co., Ltd., a state-owned enterprise established in the PRC.

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

2. APPLICATION OF NEW AND REVISED 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 HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

Except as described below, 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.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. 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 cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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.

A reconciliation between the opening and closing balances of these items is provided in Note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised 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]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[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 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

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 2021

Except for the new HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 financial assets are measured at their fair value at 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKFRS 9 Financial Instruments (Continued)

- 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 fair value through profit or loss is 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Certain trade receivables are under provisionally priced sales arrangements, such trade receivables (including the embedded commodity derivative component) will be measured as financial assets at fair value through profit or loss ("FVTPL") upon the application of HKFRS 9;

- Debt instruments classified as trade and bills receivables (other than trade receivables under provisionally priced sales arrangements), and other receivables carried at amortised cost as disclosed in Notes 22 and 23, respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

- Gold loans designated as financial liabilities at FVTPL as disclosed in Note 28: these financial liabilities qualified for designation as measured at FVTPL under HKFRS 9, however, the amount of change in fair value of these financial liabilities that is attributable to changes in the credit risk of these liabilities will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. This is different from the current accounting treatment under which the entire change in fair value of the financial liabilities is recognised in profit or loss. The amount of change in fair value attributed to a change in credit risk of these financial liabilities during the current year that would be recognised in other comprehensive income were HKFRS 9 applied is not significant; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and bills receivables, and other receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses at 1 January 2018.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

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.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective (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 asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments 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 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.

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 2017, the Group has non-cancellable operating lease commitments of RMB281,339,000 as disclosed in Note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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. 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. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in joint ventures (Continued)

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, profits and losses resulting from the transactions with the joint venture are recognised in the Group's 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 subsequent accumulated impairment losses, if any.

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. 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 same basis as other assets, commences when the assets are ready for their intended use.

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

Depreciation for other property, plant and equipment is recognised so as to write off the cost of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditures

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

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

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

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

Intangible assets acquired in a business combination

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable); its value in use (if determinable); and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. 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.

Inventories

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL 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 are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

Interest income is recognised on an effective interest basis for debt instruments.

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 stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "Other gains and losses" line item. Fair value is determined in the manner described in Note 36.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

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

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 re-organisation.

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

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

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 an 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.

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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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 are designated as financial liabilities as FVTPL at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

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 36.

Financial liabilities at amortised cost

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

Convertible note

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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.

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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 reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

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

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.

Foreign currencies

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax 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 is 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.

Employee benefits

Short-term employee benefits

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

A liability is recognised for benefits accruing to employees (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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

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 has been determined based on a value-in-use calculation.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

Changing the assumptions selected by the management to determine the level of impairment, including the discount rates, budgeted sales, gross margin 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 ended 31 December 2015, in view of the unfavourable future prospects of a copper mine held by Xinjiang Hui Xiang Yong Jin Mining Co., Ltd., a subsidiary of the Group, the management of the Group conducted impairment testing for the non-current assets attributable to this copper mine (the "CGU"). An aggregate impairment of RMB483,362,000 was made for these assets to reduce their carrying amounts to the recoverable amount of the CGU. Further details are set out in Note 15. In determining whether there is indication that the CGU has suffered a further impairment loss or the event previously causing the impairment no longer exists in the current year, the management of the Group has to exercise judgement and make estimation, in particular, on the cash flow projections, budgeted sales, gross margin and discount rate.

Realisability of deferred tax assets

At 31 December 2017, deferred tax assets of RMB160,359,000 (2016: RMB182,020,000) mainly in relation to tax losses, impairment losses of non-current assets and provision of early retirement obligations were recognised. The amounts of unrecognised tax losses and unrecognised deductible temporary differences as at 31 December 2017 were RMB573,417,000 (31 December 2016: RMB654,626,000) and RMB570,751,000 (2016: 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.

Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditures 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 changes and new information become 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 is detailed in Note 16.

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective estimation involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as proven and probable. Proven and probable mine reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, price and cost levels change from year to year, the estimates of proven and probable mine reserves also change. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in the related depreciation rate of mining infrastructure and property. The carrying amount of mining infrastructure and property and the related depreciation is detailed in Note 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	
	2017	2016
	RMB'000	RMB'000
Sales of goods	**33,456,125**	38,878,059
Rendering of services	**72,887**	37,654
	33,529,012	38,915,713

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	
	2017	2016
	RMB'000	RMB'000
Sales of goods:		
Copper cathodes	**24,538,613**	21,273,301
Other copper products	**694,625**	1,062,384
Gold and other gold products	**3,825,024**	10,592,743
Silver and other silver products	**3,820,342**	5,432,849
Sulphuric acid and sulphuric concentrate	**197,976**	107,943
Iron ores	**112,648**	117,055
Others	**266,897**	291,784
	33,456,125	38,878,059
Rendering of services:		
Copper processing	**61,408**	32,577
Others	**11,479**	5,077
	72,887	37,654
Total revenue	**33,529,012**	38,915,713

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	
	2017	2016
	RMB'000	RMB'000
PRC	**8,825,933**	9,014,861
Hong Kong	**41,675**	49,050
Mongolia	**174**	225
	8,867,782	9,064,136

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

	Revenue from external customers for the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
PRC	**31,736,447**	38,050,232
Hong Kong	**605,138**	599,745
Others	**1,187,427**	265,736
	33,529,012	38,915,713

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	
	2017	2016
	RMB'000	RMB'000
Customer A – in respect of sales of gold	**3,790,775**	10,488,053
Customer B – in respect of sales of copper cathodes	**N/A***	5,241,045

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Interest income from banks	**32,483**	50,097
Interest income from Daye Finance Company	**9,942**	10,238
Interest income from a joint venture	**532**	1,009
Value-added tax refund	**–**	13,165
Government grants (Note)	**5,479**	3,000
Deferred income recognised (Note 32)	**18,459**	18,007
Others	**14,633**	–
	81,528	95,516

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

8. OTHER GAINS AND LOSSES

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Loss on disposal of property, plant and equipment, net	**(601)**	(4,640)
Gain on disposal of prepaid lease payments	**212**	–
Fair value changes from:		
Commodity derivatives contracts	**(12,951)**	5,903
Currency forward contracts	**(26,939)**	24,835
Currency option contracts	**(26,369)**	–
Gold forward contracts	**195,329**	(192,437)
Gold loans designated as financial liabilities at FVTPL	**(211,842)**	171,211
Reversal of impairment loss/(impairment loss), net, on:		
Property, plant and equipment (Note 15)	**–**	(1,859)
Trade receivables (Note 22)	**23**	(169)
Other receivables (Note 23)	**869**	(5)
Fair value gain on derivative component of convertible note (Note 30)	**1**	19,381
Exchange gains/(losses), net	**78,726**	(83,319)
Premium on redemption of convertible bonds	**–**	(10,397)
Other losses (Note)	**(35,522)**	–
Others	**–**	5,313
Total other gains and losses	**(39,064)**	(66,183)

8. OTHER GAINS AND LOSSES (Continued)

Note: The amount in the current year mainly represented compensation paid of RMB35,522,000 in relation to a partial dam failure occurred on 12 March 2017 at the northwestern corner of tailings pond at Tonglvshan Mine of the Group located in Hubei Province, the PRC. Up to 31 December 2017, the Group has received advance compensation totaling RMB21,000,000 from an insurance company, which was recorded under "Other payables and accruals".

9. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest on bank and other borrowings	**301,673**	277,298
Interest on loans from Daye Group	**50,961**	60,206
Interest on loans from Daye Finance Company	**15,411**	15,763
Interest on loans from a fellow subsidiary	**5,364**	4,411
Interest on convertible note (Note 30)	**17,210**	86,417
Interest on convertible bonds	**–**	15,802
Interest on promissory note (Note 31)	**34,807**	–
Unwind interest of provision for mine rehabilitation, restoration and dismantling (Note 29)	**1,284**	1,247
Unwind interest of early retirement obligations (Note 33)	**4,890**	460
Total borrowing costs	**431,600**	461,604
Less: Borrowing costs capitalised in the cost of qualifying assets (Note 15)	**(27,469)**	(45,048)
	404,131	416,556

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a weighted average capitalisation rate of 3.95% (2016: 5.66%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**–**	77
Over provision in prior years:		
Hong Kong	**–**	(592)
Deferred tax (Note 20)	**21,661**	48,519
	21,661	48,004

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 has been made as the Group has no assessable profit generated in Hong Kong for both years.

10. INCOME TAX EXPENSES (Continued)

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

Income tax expense 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	
	2017	2016
	RMB'000	RMB'000
Loss before tax	**69,530**	116,748
Tax at the domestic income tax rate of 25% (2016: 25%) (Note (i))	**(17,383)**	(29,187)
Tax effect on different tax rates of subsidiaries operating in other jurisdictions	**6,293**	13,064
Tax effect on tax concession of research and development costs	**(868)**	(1,084)
Tax effect on income not subject to tax (Note (ii))	**–**	(33,480)
Tax effect on expenses not deductible for tax purpose	**14,130**	34,474
Tax effect on deductible temporary differences not recognised	**17,455**	–
Tax effect on share of results of joint ventures	**1,821**	(2,030)
Tax effect on tax losses not recognised	**607**	58,631
Over provision in prior years	**–**	(592)
Others	**(394)**	8,208
Income tax expense for the year	**21,661**	48,004

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) The income not subject to tax for the prior year mainly represented exempted income from the Group's sales of metal products produced using prescribed resources, including silver and vitriol. 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. Such exemption is no longer available in the current year.

11. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

Loss and total comprehensive expense for the year has been arrived at after charging:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Depreciation of property, plant and equipment (Note (ii))	**600,015**	531,206
Amortisation of intangible assets (Note (ii))	**47,902**	37,060
Amortisation of prepaid lease payments (Note (ii))	**21,451**	20,951
Auditor's remuneration	**2,974**	3,682
Employee benefits expense (including Directors' remuneration as disclosed in Note 12) (Note (iii)):		
Salaries, wages and welfare	**519,407**	507,568
Retirement benefit scheme contributions	**109,325**	123,874
Provision for early retirement obligations (Note 33) (Note (iv))	**186,700**	–
Total staff costs	**815,432**	631,442
Cost of sales and services rendered:		
Cost of inventories recognised as an expense (Note (i))	**32,537,614**	38,206,107
Direct operating expense arising from services provided	**64,183**	32,610
	32,601,797	38,238,717
Research costs recognised as an expense	**6,947**	8,670
Minimum lease payments in respect of lands and buildings	**18,951**	16,637

Notes:

(i) Write-down of inventories of RMB8,728,000 (2016: RMB14,110,000), which was included in cost of inventories, was 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.

(ii) During the year, depreciation of property, plant and equipment of RMB583,989,000 (2016: RMB514,665,000), and amortisation of intangible assets and prepaid lease payments totaling RMB30,544,000 (2016: RMB27,944,000) was capitalised to inventories.

(iii) During the year, employee benefits expenses of RMB565,231,000 (2016: RMB553,795,000) were capitalised to inventories.

(iv) The provision was included in "other operating expenses".

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:

	Fees RMB'000	Other emoluments: Salaries and other allowances RMB'000	Other emoluments: Retirement benefit scheme contributions RMB'000	Bonus RMB'000	Total RMB'000
2017					
Executive Directors					
Mr. Zhang Lin (Note (a))	**–**	**446**	**16**	**–**	**462**
Mr. Long Zhong Sheng (Note (c))	**1,426**	**31**	**55**	**463**	**1,975**
Mr. Zhai Baojin	**–**	**724**	**39**	**–**	**763**
Mr. Tan Yaoyu (Note (b))	**–**	**640**	**39**	**–**	**679**
Independent Non-executive Directors					
Mr. Wang Guoqi	**87**	**–**	**–**	**–**	**87**
Mr. Wang Qihong	**87**	**–**	**–**	**–**	**87**
Mr. Liu Jishun	**87**	**–**	**–**	**–**	**87**
	1,687	**1,841**	**149**	**463**	**4,140**
2016					
Executive Directors					
Mr. Zhang Lin	–	583	37	–	620
Mr. Long Zhong Sheng (Note (c))	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

Notes:

(a) Mr. Zhang Lin resigned as the chairman of the Company on 18 May 2017.

(b) Mr. Tan Yaoyu was appointed as the chairman of the Company on 1 September 2017.

(c) Mr. Long Zhong Sheng is the Chief Executive Officer of the Company in both 2017 and 2016 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

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

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

Directors and Chief Executive Officer (Continued)

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 (2016: three) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining two (2016: two) individuals are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and other allowances	**1,176**	1,042
Retirement benefit scheme contributions	**78**	74
	1,254	1,116

The emoluments of the above employees are within the following bands in Hong Kong dollar ("HK$"):

	2017	2016
	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 2017 nor has any dividend been proposed since the end of the reporting period (2016: 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	
	2017	2016
	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	**(97,247)**	(163,484)
	'000	'000
Number of ordinary shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**17,895,580**	17,895,580

The computation of diluted loss per share for the years ended 31 December 2017 and 2016 does not assume the conversion of the Company's outstanding convertible note and convertible bonds since their respective conversion would result in a decrease in loss per share for the years ended 31 December 2017 and 2016.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining infrastructure and property RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Electricity equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2016	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
Additions	797	–	70,443	1,707	1,647	297,632	372,226
Interest capitalised (Note 9)	–	–	–	–	–	27,469	27,469
Reclassification	154,182	518,005	39,093	–	–	(711,280)	–
Disposals	(2,766)	–	(10,614)	(3,118)	(481)	–	(16,979)
At 31 December 2017	5,598,280	2,448,913	3,466,140	170,722	46,976	630,115	12,361,146
Accumulated depreciation:							
At 1 January 2016	(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)
Provided for the year	(263,548)	(106,286)	(219,874)	(7,484)	(2,823)	–	(600,015)
Eliminated on disposals	1,637	–	7,131	2,928	451	–	12,147
At 31 December 2017	(1,862,541)	(703,182)	(1,968,632)	(105,227)	(29,919)	–	(4,669,501)
Accumulated impairment:							
At 1 January 2016	(14,569)	(5,403)	(29,177)	(304)	(2,963)	(292,289)	(344,705)
Impairment loss recognised in profit or loss	(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)
Eliminated on disposals	–	–	962	18	–	–	980
At 31 December 2017	(180,179)	(94,960)	(52,089)	(286)	(3,033)	(15,037)	(345,584)
Carrying values:							
At 31 December 2017	3,555,560	1,650,771	1,445,419	65,209	14,024	615,078	7,346,061
At 31 December 2016	3,665,258	1,239,052	1,558,278	71,158	15,230	1,001,257	7,550,233

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment assessment

During the year ended 31 December 2015, in view of the unfavourable future prospects of a copper mine held by Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("Hui Xiang"), a subsidiary of the Group, management of the Group conducted impairment testing for the non-current assets, including property, plant and equipment, prepaid lease payments and mining rights, attributable to this copper mine (the "CGU"), and aggregate impairment of RMB483,362,000 was made for these assets to reduce their carrying amounts to the recoverable amount of the CGU. The aggregate carrying amount of these assets as at 31 December 2017 is RMB1,116,246,000. The recoverable amount of the CGU has been determined based on a value-in-use calculation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent qualified professional valuers not connected with the Group.

Based on management's assessment, there is no indication that those assets have suffered a further impairment loss or the event previously causing the impairment no longer exists in the current year.

16. EXPLORATION AND EVALUATION ASSETS

	RMB'000
At 1 January 2016	125,045
Additions	6,820
Transfer to mining rights (Note 18)	(68,438)
At 31 December 2016	63,427
Additions	25,920
Transfer to mining rights (Note 18)	(45,053)
At 31 December 2017	44,294

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 prepared lease payments are analysed as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current assets	**698,534**	693,460
Current assets	**21,451**	20,951
	719,985	714,411

The remaining lease periods of the existing leases ranging from 21 to 60 years.

18. INTANGIBLE ASSETS

	Mining rights RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2016	1,340,358	11,778	1,352,136
Additions	-	1,180	1,180
Transfer from exploration and evaluation assets (Note 16)	68,438	–	68,438
At 31 December 2016	1,408,796	12,958	1,421,754
Additions	30,002	1,328	31,330
Transfer from exploration and evaluation assets (Note 16)	45,053	–	45,053
At 31 December 2017	1,483,851	14,286	1,498,137
Accumulated amortisation and impairment: (Note)			
At 1 January 2016	(740,039)	(6,887)	(746,926)
Amortisation	(35,847)	(1,213)	(37,060)
At 31 December 2016	(775,886)	(8,100)	(783,986)
Amortisation	(46,344)	(1,558)	(47,902)
At 31 December 2017	(822,230)	(9,658)	(831,888)
Carrying amounts:			
At 31 December 2017	661,621	4,628	666,249
At 31 December 2016	632,910	4,858	637,768

Note: For the year ended 31 December 2015, the Group recognised losses on impairment of mining rights of RMB221,966,000 in relation to certain of the Group's copper mines. Refer to Note 15 for details.

19. INTERESTS IN JOINT VENTURES

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

	At 31 December 2017 RMB'000	2016 RMB'000
Cost of unlisted equity investments, at cost	**64,702**	64,702
Share of post-acquisition results and other comprehensive expense, net of dividends received	**(23,448)**	(16,164)
	41,254	48,538

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 places of operation	Proportion of ownership interest held by the Group 2017	2016	Proportion of voting rights held by the Group 2017 (Note (i))	2016	Principal activities
China Daye Hong Kong Investment Limited ("China Daye HK")	Hong Kong	Hong Kong and PRC	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 2017		At 31 December 2016	
	China Daye HK RMB'000	**Shenzhen Rainbow RMB'000**	China Daye HK RMB'000	Shenzhen Rainbow RMB'000
Current assets	**2,732,674**	**366,851**	1,192,355	10,342,428
Non-current assets	**21**	**293,700**	198	288
Current liabilities	**(2,684,548)**	**(630,100)**	(1,139,537)	(10,309,481)
Net assets	**48,147**	**30,451**	53,016	33,235
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	**4,845**	**1,938**	35,419	3,017
Other current financial liabilities (excluding trade and other payables, and provisions)	**(2,411,768)**	**–**	(602,539)	–

	Year ended 31 December			
	2017		2016	
	China Daye HK RMB'000	**Shenzhen Rainbow RMB'000**	China Daye HK RMB'000	Shenzhen Rainbow RMB'000
(Loss)/profit for the year	**(4,869)**	**(2,784)**	(10,657)	23,643
Total comprehensive (expense)/income for the year	**(4,869)**	**(2,784)**	(10,657)	23,643
The above (loss)/profit for the year including the following:				
Depreciation and amortisation	**179**	**102**	262	107
Interest income	**9,839**	**656**	10,222	2,500
Income tax expense	**–**	**506**	107	1,051

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 2017		At 31 December 2016	
	China Daye HK RMB'000	**Shenzhen Rainbow RMB'000**	China Daye HK RMB'000	Shenzhen Rainbow RMB'000
Net assets	**48,147**	**30,451**	53,016	33,235
Proportion of the Group's ownership interest	**95%**	**95%**	95%	95%
Carrying amount of the Group's interest	**45,740**	**28,928**	50,365	31,573

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 2017 amounted to RMB14,000 (2016: RMB4,218,000).

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	
	2017 RMB'000	2016 RMB'000
Deferred tax assets	**160,359**	182,020
Deferred tax liabilities	**–**	–
	160,359	182,020

20. DEFERRED TAXATION (Continued)

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

Deferred tax assets

	Accrued expenses RMB'000	Provision for mine rehabilitation, restoration and dismantling RMB'000	Early retirement obligations RMB'000	Impairment losses RMB'000	Write-down of inventories RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	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
Credited/(charged) to profit or loss	12,283	321	31,595	(472)	2,182	(68,441)	(438)	(22,970)
At 31 December 2017	25,977	11,021	35,299	58,855	10,462	49,531	3,530	194,675

Deferred tax liabilities

	Mining rights RMB'000	Convertible bonds RMB'000	Total RMB'000
At 1 January 2016	(37,500)	(279)	(37,779)
Credited to profit or loss	1,875	279	2,154
At 31 December 2016	(35,625)	–	(35,625)
Credited to profit or loss	1,309	–	1,309
At 31 December 2017	(34,316)	–	(34,316)

20. DEFERRED TAXATION (Continued)

As at 31 December 2017, the PRC subsidiaries of the Group had unrecognised tax losses of RMB526,418,000 (2016: RMB612,113,000) and unrecognised deductible temporary differences of RMB570,751,000 (2016: 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	
	2017	2016
	RMB'000	RMB'000
To be expired on:		
31 December 2017	**–**	8,366
31 December 2018	**4,196**	13,245
31 December 2019	**–**	63,980
31 December 2020	**5,110**	291,997
31 December 2021	**514,685**	234,525
31 December 2022	**2,427**	–
Total unrecognised tax losses	**526,418**	612,113

At 31 December 2017, the Hong Kong subsidiaries of the Group had estimated unused tax losses of HKD56,225,000, equivalent to approximately RMB46,999,000 (2016: HKD47,527,000, equivalent to approximately RMB42,513,000), subject to the agreement with 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 the 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 undistributable profits of the PRC subsidiaries amounting to RMB287,027,000 as at 31 December 2017 (2016: RMB316,477,000) 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 2017 RMB'000	2016 RMB'000
Raw materials	**1,067,698**	947,689
Work in progress	**1,300,768**	1,402,899
Finished goods	**584,325**	835,508
Goods in transit	**1,861,011**	1,620,651
	4,813,802	4,806,747

22. TRADE AND BILLS RECEIVABLES

	At 31 December 2017 RMB'000	2016 RMB'000
Trade receivables	**342,991**	298,967
Less: Allowance of doubtful debts	**(10,499)**	(10,522)
	332,492	288,445
Bills receivables:		
On hand	**134,193**	40,201
Endorsed to suppliers (Note 37)	**48,872**	54,228
Discounted to Daye Finance Company (Note 37)	**–**	2,000
Discounted to banks (Note 37)	**–**	39,000
Held by banks for collection	**3,000**	–
	186,065	135,429
Total trade and bills receivables	**518,557**	423,874

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. Bills receivables, based on the revenue recognition date, are aged within 1 year.

Certain trade receivables are under provisionally priced sales arrangements, the fair value of the embedded commodity derivative component arising from provisionally priced sales arrangement at the end of each reporting period is insignificant.

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	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**151,473**	272,382
More than 1 year, but less than 2 years	**180,794**	1,832
More than 2 years, but less than 3 years	**31**	13,890
Over 3 years	**194**	341
	332,492	288,445

Ageing analysis of trade receivables which are past due but not impaired

Included in the Group's trade receivables as at 31 December 2017 are debtors with aggregate carrying amount of RMB212,755,000 (2016: RMB74,473,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The ageing analysis of these receivables is as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**212,530**	60,242
More than 1 year, but less than 2 years	**31**	13,890
More than 2 years, but less than 3 years	**–**	183
Over 3 years	**194**	158
	212,755	74,473

Except for aggregate receivables of RMB13,890,000 as at 31 December 2016 which were pledged by equity shares of a private company established in the PRC and fully settled during the year, the Group does not hold any collateral over trade receivables as at 31 December 2017 and 2016.

22. TRADE AND BILLS RECEIVABLES (Continued)

Movements in the allowance for doubtful debts on trade receivables

	RMB'000
At 1 January 2016	10,353
Impairment loss, net	169
At 31 December 2016	10,522
Reversal of impairment loss, net	(23)
At 31 December 2017	10,499

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Fellow subsidiaries	**253,481**	244,703

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

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Denominated in United States dollar ("US$")	**197,708**	241,795

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December 2017 RMB'000	2016 RMB'000
Classified under non-current assets:		
Deposits for acquisition of property, plant and equipment	**40,968**	45,353
Deposits for environment rehabilitation*	**30,422**	25,357
	71,390	70,710
Classified under current assets:		
Prepayments for inventories	**183,012**	118,576
Value-added tax recoverable	**21,144**	62,455
Other receivables	**113,179**	178,845
Less: Allowance of doubtful debts on other receivables	**(21,501)**	(22,387)
	295,834	337,489

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

Movements in the allowance for doubtful debts on other receivables

	RMB'000
At 1 January 2016	22,382
Impairment loss, net	5
At 31 December 2016	22,387
Reversal of impairment loss, net	(869)
Write off as uncollectible	(17)
At 31 December 2017	21,501

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

	At 31 December 2017 RMB'000	2016 RMB'000
Prepayments made to fellow subsidiaries	**52,608**	17,766
Prepayments made to Daye Group	**–**	244
Amounts due from joint ventures	**70,178**	140,665

Except for an aggregate amount of RMB40,000,000 (2016: RMB100,000,000) due from a joint venture which carries fixed interest rate at 4.60% per annum and due within one year, the remaining amounts due from joint ventures are unsecured, interest-free and repayable on demand.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Current Assets		Current Liabilities	
	At 31 December		At 31 December	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Copper futures contracts	**4,287**	42,659	**7,956**	5,408
Gold futures contracts	**361**	724	**–**	–
Gold forward contracts	**12,597**	–	**9,705**	192,437
Silver futures contracts	**–**	2,821	**2,992**	–
Currency forward contracts	**–**	23,227	**3,712**	–
Currency option contracts	**–**	–	**26,369**	–
	17,245	69,431	**50,734**	197,845

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

	At 31 December			
	2017		2016	
Contract type	**Quantity**	**Contract price (RMB)**	Quantity	Contract price (RMB)
Copper futures contracts (tonnes)				
Buy	**14,420**	**54,206**	23,010	39,550 to 46,548
Sell	**18,180**	**44,688 to 55,575**	13,240	37,637 to 46,770
Gold futures contracts (kg)				
Buy	**850**	**277,475**	387	249,318 to 265,128
Sell	**–**	**–**	200	267,129
Gold forward contracts (kg)				
Buy	**6,500**	**269,850 to 290,310**	7,010	260,300 to 290,100
Silver futures contracts (kg)				
Buy	**64,215**	**3,932**	34,530	4,020
Sell	**–**	**–**	150	4,041

24. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

Nominal amount	**Exchange rates**
At 31 December 2017	
Buy US$35,078,000	US$1: RMB6.6175 to RMB6.9298
At 31 December 2016	
Buy US$91,530,000	US$1: RMB6.7277 to RMB7.0438

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

Nominal amount	**Exchange rates**
At 31 December 2017	
Buy US$60,060,000	US$1: RMB6.8218 to RMB7.2000
Sell US$96,784,000	US$1: RMB6.8218 to RMB7.2000
At 31 December 2016	
Nil	

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 US$.

The Group did not formally designate or document the hedging transactions with respect to the commodity derivative contracts, foreign currency forward and currency option 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, currency forward contracts and currency option contracts do not meet the criteria for offsetting in the Group's consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable upon an event of default.

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 of recognised financial assets At 31 December		Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position At 31 December		Net amounts of financial assets presented in the consolidated statement of financial position At 31 December	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Deposits in futures margin accounts (Note 25)	**141,414**	28,441	**–**	–	**141,414**	28,441
Derivatives in respect of:						
Copper futures contracts	**4,287**	42,659	**–**	–	**4,287**	42,659
Gold futures contracts	**361**	724	**–**	–	**361**	724
Gold forward contracts	**12,597**	–	**–**	–	**12,597**	–
Silver futures contracts	**–**	2,821	**–**	–	**–**	2,821
Currency forward contracts	**–**	23,227	**–**	–	**–**	23,227
Total	**158,659**	97,872	**–**	–	**158,659**	97,872

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Counterparty A	**122,017**	57,380	**(2,992)**	–	**–**	–	**119,025**	57,380
Counterparty B	**24,045**	2,841	**(4,388)**	(79)	**–**	–	**19,657**	2,762
Counterparty C	**10,933**	–	**–**	–	**–**	–	**10,933**	–
Counterparty D	**1,664**	23,227	**(1,664)**	(23,227)	**–**	–	**–**	–
Counterparty E	**–**	424	**–**	–	**–**	–	**–**	424
Others	**–**	14,000	**–**	(13,396)	**–**	–	**–**	604
	158,659	97,872	**(9,044)**	(36,702)	**–**	–	**149,615**	61,170

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 of recognised financial liabilities At 31 December		Gross amounts of recognised financial assets set off in the consolidated statement of financial position At 31 December		Net amounts of financial liabilities presented in the consolidated statement of financial position At 31 December	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB000	**RMB'000**	RMB'000
Derivatives in respect of:						
Copper futures contracts	**7,956**	5,408	**–**	–	**7,956**	5,408
Silver futures contracts	**2,992**	–	**–**	–	**2,992**	–
Gold forward contracts	**9,705**	192,437	**–**	–	**9,705**	192,437
Currency forward contracts	**3,712**	–	**–**	–	**3,712**	–
Currency option contracts	**26,369**	–	**–**	–	**26,369**	–
Total	**50,734**	197,845	**–**	–	**50,734**	197,845

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Counterparty A	**2,992**	–	**–**	–	**(2,992)**	–	**–**	–
Counterparty B	**4,388**	79	**–**	–	**(4,388)**	(79)	**–**	–
Counterparty C	**–**	50,810	**–**	–	**–**	–	**–**	50,810
Counterparty D	**10,032**	37,255	**(1,664)**	(23,227)	**–**	–	**8,368**	14,028
Counterparty E	**15,642**	–	**–**	–	**–**	–	**15,642**	–
Counterparty F	**4,163**	23,775	**–**	–	**–**	–	**4,163**	23,775
Counterparty G	**6,862**	62,803	**–**	–	**–**	–	**6,862**	62,803
Counterparty H	**6,655**	5,330	**–**	–	**–**	–	**6,655**	5,330
Others	**–**	17,793	**–**	–	**–**	(13,396)	**–**	4,397
	50,734	197,845	**(1,664)**	(23,227)	**(7,380)**	(13,475)	**41,690**	161,143

25. BANK AND OTHER DEPOSITS AND CASH

Restricted deposits and bank balances

	At 31 December 2017 RMB'000	2016 RMB'000
Classified under current assets:		
Bank balances (Note (a))	**39,985**	7,250
Other deposits (Note (b))	**141,414**	28,441
	181,399	35,691
Classified under non-currents assets:		
Bank deposits (Note (c))	**39,000**	39,000

Notes:

(a) Bank balances are held in designated bank accounts as security for the Group's bills payable and letters of credit. The bank balances as at 31 December 2017 earn interest at fixed rate of 1.35%, while the bank balances as at 31 December 2016 earn floating rates based on daily bank deposit rates.

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

(c) The bank deposits of RMB39,000,000 placed with Daye Finance Company as at 31 December 2017 and 2016 were pledged as security for the Group's other loans from a third party financing company, which are not repayable within one year (Note 28). These deposits bear interest at a fixed interest rate of 3.58% per annum.

Bank and other deposits and cash

As at 31 December 2017, the amount of RMB957,112,000 included saving deposits in Daye Finance Company of RMB392,219,000 (2016: RMB649,847,000), which bear interest at rate ranging from 0.53% to 1.50% (2016: 0.53% to 1.50%) per annum and repayable on demand. The bank deposits and balances carry interest at market rates ranging from 0.35% to 1.35% (2016: 0.35% to 4.00%) per annum.

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

	At 31 December 2017 RMB'000	2016 RMB'000
Denominated in US$	**406,990**	275,472
Denominated in HK$	**3,801**	4,150
	410,791	279,622

26. TRADE AND BILLS PAYABLES

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables	**2,484,878**	1,750,521
Bills payables	**–**	281,661
	2,484,878	2,032,182

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

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**2,465,848**	1,729,314
More than 1 year, but less than 2 years	**9,794**	12,673
More than 2 years, but less than 3 years	**1,385**	898
Over 3 years	**7,851**	7,636
	2,484,878	1,750,521

The maturity period of bills payables are within 6 months based on the invoice date.

Included in the Group's trade and bills payables are payables to fellow subsidiaries of RMB36,130,000 (2016: RMB38,491,000). 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	
	2017	2016
	RMB'000	RMB'000
Denominated in US$	**1,854,336**	1,161,357

27. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 December 2017 RMB'000	2016 RMB'000
Classified under current liabilities:		
Receipts in advance from customers	**100,396**	57,216
Salaries and welfare payables	**146,951**	95,443
Interest payables	**28,372**	33,543
Current portion of deferred income (Note 32)	**19,060**	18,350
Payables for purchase of property, plant and equipment (Note (a))	**513,941**	651,958
Deposits received for construction projects	**63,411**	58,423
Amounts due to Daye Group (Note (b))	**2,915**	32,812
Amounts due to a joint venture (Note (b))	**14,237**	15,389
Other payables and accruals	**145,133**	78,416
	1,034,416	1,041,550
Balances repayable after one year and classified under non-current liabilities:		
Payables for purchase of property, plant and equipment (Note (a))	**282,564**	259,802
Amounts due to Daye Group (Note (b))	**30,171**	–

Notes:

(a) Included in payables for purchase of property, plant and equipment are payables to fellow subsidiaries of RMB465,200,000 (2016: RMB491,672,000) 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 of RMB2,915,000 (2016: RMB32,812,000) and a joint venture are unsecured, interest-free and repayable on demand. The amounts due to Daye Group classified under non-current liabilities are unsecured, interest-free and repayable after one year in accordance with the terms of the relevant agreements.

28. BANK AND OTHER BORROWINGS

	At 31 December 2017 RMB'000	2016 RMB'000
Bank borrowings:		
Unsecured	**4,361,247**	4,950,639
Other borrowings:		
Loans from Daye Group, unsecured (Note (a))	**978,510**	1,019,318
Loans from Daye Finance Company, unsecured (Note (a))	**368,000**	418,000
Loans from a fellow subsidiary, unsecured (Note (a))	**132,283**	114,488
Advance from Daye Finance Company for discounted bills	**–**	2,000
Advance from banks for discounted bills	**–**	39,000
Gold loans (Note (b))	**1,804,969**	1,738,617
Other loans secured by bank deposits (Note (c))	**498,500**	499,500
	8,143,509	8,781,562

	At 31 December 2017 RMB'000	2016 RMB'000
Bank borrowings carrying amounts repayable*:		
Within one year	**1,771,279**	1,126,211
More than one year, but not exceeding two years	**2,390,968**	3,756,928
More than two years, but not exceeding five years	**199,000**	67,500
	4,361,247	4,950,639
Other borrowings carrying amounts repayable*:		
Within one year	**1,286,753**	1,362,058
More than one year, but not exceeding two years	**1,180,499**	1,097,559
More than two years, but not exceeding five years	**953,060**	823,606
More than five years	**361,950**	547,700
	3,782,262	3,830,923
Less: Amounts due within one year shown under current liabilities	**(3,058,032)**	(2,488,269)
Amounts shown under non-current liabilities	**5,085,477**	6,293,293

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

28. BANK AND OTHER BORROWINGS (Continued)

	At 31 December 2017 RMB'000	2016 RMB'000
Fixed-rate borrowings	**5,908,777**	4,577,589
Variable-rate borrowings	**2,234,732**	4,203,973
Total borrowings	**8,143,509**	8,781,562

	Year ended 31 December 2017	2016
Effective interest rate: (per annum)		
Fixed-rate borrowings	**1.20% to 6.15%**	1.20% to 6.15%
Variable-rate borrowings*	**2.55% to 4.75%**	1.85% to 4.41%

* 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 2017 RMB'000	At 31 December 2016 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 October 2018 to 22 November 2019	**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**	53,200
At 6.00% per annum	Repayable on 23 August 2019	**50,000**	50,000
Floating rate:			
Five years interest rate quoted by BOC	Repayable on 1 January 2020	**319,000**	278,744
Five years interest rate quoted by BOC	Repayable on 1 January 2020	**84,094**	65,158
		978,510	1,019,318
Daye Finance Company			
Fixed rate:			
At 3.915% per annum	Repayable on from 17 July 2019 to 28 September 2019	**250,000**	–
At 4.785% per annum	Repayable on 31 May 2018	**90,000**	–
At 5.225% per annum	Repayable on 11 October 2020	**28,000**	–
At 3.915% per annum	Repayable on from 31 March 2017 to 30 September 2017	**–**	300,000
At 5.61% per annum	Repayable on 3 June 2017	**–**	90,000
At 5.00% per annum	Repayable on 14 October 2017	**–**	28,000
		368,000	418,000
A fellow subsidiary			
Floating rate:			
Three years interest rate quoted by PBOC	Repayable 11 January 2019	**132,283**	114,488

28. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b) During the year, losses arising from change in fair value of gold loans designated as financial liabilities at FVTPL amounted to RMB211,842,000 (2016: gains of RMB171,211,000). The above gains and losses have been charged to profit or loss. The gold loans bear interest ranging from 2.0% to 4.3% (2016: 2.0% to 3.6%) per annum and RMB1,073,067,000 (2016: 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 third party financing company whereby the Group has agreed to transfer the ownership of certain equipment to the financing company (the "Equipment") at a consideration of RMB500,000,000 and lease back the Equipment for a period of 8 years subject to the terms and conditions of the agreement. The transaction was completed in January 2016.

Upon discharging all the Group's obligations under the agreement, the financing company will return the ownership of the Equipment to the Group for a nominal amount of RMB1. Despite the agreement involves a legal form of a lease, the Group accounted for the agreement as collateralised borrowing in accordance with the actual substance of such agreement.

The above other loan was pledged by the Group's bank deposits placed with Daye Finance Company of RMB39,000,000 (Note 25).

The Directors consider that the carrying amounts of borrowings and related interest payable amounting to RMB28,372,000 as at 31 December 2017 (2016: RMB33,543,000) 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	
	2017	2016
	RMB'000	RMB'000
Denominated in US$	**791,913**	811,054

29. PROVISION FOR MINE REHABILITATION, RESTORATION AND DISMANTLING

	RMB'000
At 1 January 2016	41,554
Interest cost charged to profit or loss (Note 9)	1,247
At 31 December 2016	42,801
Interest cost charged to profit or loss (Note 9)	1,284
At 31 December 2017	44,085

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% (2016: 3%) per annum.

30. CONVERTIBLE NOTE

The movements of the debt component and derivative component of the convertible note during the year and prior year are as follows:

	Debt component RMB'000	Derivative component RMB'000	Total RMB'000
At 1 January 2016	741,452	18,999	760,451
Interest expense (Note 9)	86,417	–	86,417
Exchange difference	52,739	383	53,122
Fair value changes	–	(19,381)	(19,381)
At 31 December 2016	880,608	1	880,609
Interest expense (Note 9)	17,210	–	17,210
Exchange difference	(6,281)	–	(6,281)
Fair value changes	–	(1)	(1)
Redemption of convertible note	(891,537)	–	(891,537)
At 31 December 2017	–	–	–

On 7 March 2012, the Group issued convertible note in the aggregate principal amount of HK$1,003,836,048 (the "Note") to China Times Development Limited ("China Times") in relation to a restructuring arrangement of the Group. China Times became the immediate holding company of the Company after the restructuring. Details of which are set out in Note (ii) in the consolidated statement of changes in equity.

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

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 31 December 2016 based on the valuations performed by Jones Lang LaSalle using the Binomial Model as detailed in Note 36.

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 (the "Maturity Date") 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 of RMB891,537,000 (Note 31).

31. PROMISSORY NOTE

	At 31 December 2017 RMB'000	2016 RMB'000
Promissory Note	**891,537**	–

A promissory note with a principal amount of RMB891,537,000 was issued to China Times on 7 March 2017 (the "Promissory Note") to settle the redemption of the Note upon maturity (Note 30), which had taken effect on 7 March 2017 (the "Effective Date"), being the maturity date of the Note. 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 of the Note.

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 of the Company, by:

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

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

If the Company elects payment by immediately available funds under (i) above, the amount of payment shall include the principal amount outstanding on the Promissory Note together with accrued and unpaid interest as at the date of payment. If the Company elects the allotment and issue of the Shares under (ii) above, the issue price of the Shares shall be determined by reference to the market price of the Shares quoted on the Hong Kong Stock Exchange.

The Directors consider that as at 31 December 2017 the carrying amounts of the Promissory Note and related interest payable amounting to RMB34,807,000 recognised in the consolidated financial statements approximate to their fair values.

32. DEFERRED INCOME

	RMB'000
At 1 January 2016	261,492
Government grants obtained	526
Credited to profit or loss (Note 7)	(18,007)
At 31 December 2016	244,011
Credited to profit or loss (Note 7)	(18,459)
At 31 December 2017	225,552

	At 31 December 2017 RMB'000	2016 RMB'000
Analysed as:		
Current (Note 27)	**19,060**	18,350
Non-current	**206,492**	225,661
	225,552	244,011

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.

33. EARLY RETIREMENT OBLIGATIONS

	RMB'000
At 1 January 2016	21,469
Interest cost charged to profit or loss (Note 9)	460
Benefits paid	(6,949)
At 31 December 2016	14,980
Additional provision (Note 11)	186,700
Interest cost charged to profit or loss (Note 9)	4,890
Benefits paid	(65,130)
At 31 December 2017	141,440

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Analysed as:		
Current	**38,350**	4,380
Non-current	**103,090**	10,600
	141,440	14,980

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.

During the current year, the Group made offers to 1,146 existing employees of the Group who are within 5 years to normal retirement date accepted voluntary redundancy and joined the Early Retirement Scheme. Accordingly, additional provision for early retirement obligations of RMB186,700,000 was recorded and charged to profit or loss during the current year.

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.

33. EARLY RETIREMENT OBLIGATIONS (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2017	2016
	%	%
Discount rate (per annum)	**3.75**	2.75
Expected annual salary incremental rate (per annum)	**10**	10

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

34. 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 2016, 31 December 2016 and 31 December 2017	30,000,000,000	1,500,000
		RMB'000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 31 December 2017	17,895,579,706	727,893

There was no movement in the Company's share capital for both years ended 31 December 2017 and 2016.

35. 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, convertible note and promissory note), net of restricted bank balances, bank and other deposits 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	
		2017	2016
	Notes	**RMB'000**	RMB'000
Debts	(i)	**9,035,046**	9,662,171
Less: Restricted bank balances, bank and other deposits and cash		**(1,036,097)**	(1,163,002)
Net debts		**7,998,949**	8,499,169
Equity attributable to owners of the Company	(ii)	**2,363,712**	2,460,959
Net debts to equity ratio		**338.4%**	345.4%

Notes:

(i) Debts comprise non-current and current bank and other borrowings, convertible note and promissory note as detailed in Notes 28, 30 and 31, respectively.

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

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,787,746**	1,771,775
Financial assets at FVTPL:		
Derivative instruments	**17,245**	69,431
Financial liabilities		
Amortised costs	**10,977,457**	11,181,521
At FVTPL:		
Gold loans	**1,804,969**	1,738,617
Derivative instruments	**50,734**	197,845
Derivative component of convertible note	**–**	1

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 and cash, trade and bills payables, other payables, bank and other borrowings, gold loans, convertible note (including both debt and derivative components), promissory note 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 the PRC supply and demand conditions, any unexpected price change in the market might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures, and may enter into commodity derivative contracts from time to time in accordance with the policies approved by the Directors 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.

36. 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:

	2017 (Increase)/ decrease in loss after tax RMB'000	2016 (Increase)/ decrease in loss after tax RMB'000
The prices of the commodity derivative contracts:		
Increased by 10%	**(256)**	(11,373)
Decreased by 10%	**256**	11,373

Interest rate risk

The Group is exposed to interest rate volatility on other deposits, bank balances and borrowings. Other deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Other deposits, bank balances, convertible note/bonds, promissory note 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 and cash, bank and other borrowings and promissory note have been disclosed in Notes 25, 28 and 31. 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, Bank of China and London InterBank Offer Rate.

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 other 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 after consideration of capitalisation of borrowing costs:

	2017		2016	
	+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	**(15,450)**	**15,450**	(29,061)	29,061

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Foreign exchange risk

The Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from international market that are conducted in US$ and certain borrowings that are denominated in US$.

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

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

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB to US$ exchange rates ("RMB – US$"), with all other variables held constant, of the Group's loss after tax due to changes in the carrying value of monetary assets and liabilities, and certain derivative financial instruments.

	2017 (Increase)/ decrease in loss after tax RMB'000	2016 (Increase)/ decrease in loss after tax RMB'000
RMB – US$		
Appreciation of RMB by 5%	**75,430**	53,697
Depreciation of RMB by 5%	**(75,430)**	(53,697)

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2017, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group is disclosed in note 40.

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 59.5% (2016: 52.7%) of trade receivables as at 31 December 2017.

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 and Daye Finance Company 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 and Daye Finance Company located in the PRC and substantially all derivative financial instruments were 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.

36. 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 earliest date on which the Group can be required to pay. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. 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.

	Effective interest rate %	Less than 1 year and on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2017							
Non-derivative financial liabilities:							
Trade and bills payables	**–**	**2,484,878**	**–**	**–**	**–**	**2,484,878**	**2,484,878**
Other payables	**–**	**886,588**	**–**	**312,735**	**–**	**1,199,323**	**1,199,323**
Bank and other borrowings	**1.2-6.15**	**3,331,091**	**3,690,928**	**1,265,337**	**375,345**	**8,662,701**	**8,171,881**
Promissory note	**4.75**	**77,155**	**42,348**	**983,890**	**–**	**1,103,393**	**926,344**
		6,779,712	**3,733,276**	**2,561,962**	**375,345**	**13,450,295**	**12,782,426**
Financial guarantee contracts	**–**	**100,000**	**–**	**–**	**–**	**100,000**	**–**
Derivatives – net settlement	**–**	**23,740**	**–**	**–**	**–**	**23,740**	**23,740**
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:	1.2-6.15	2,806,516	4,997,135	1,002,734	589,938	9,396,323	8,815,105
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

36. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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.

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 RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts as (assets) liabilities RMB'000
At 31 December 2017						
Currency forward contracts:						
Inflow	**(214,270)**	**–**	**–**	**–**	**(214,270)**	**(214,270)**
Outflow	**217,982**	**–**	**–**	**–**	**217,982**	**217,982**
	3,712	**–**	**–**	**–**	**3,712**	**3,712**
Currency option contracts:						
Inflow	**(559,097)**	**–**	**–**	**–**	**(559,097)**	**(559,097)**
Outflow	**582,379**	**–**	**–**	**–**	**582,379**	**582,379**
	23,282	**–**	**–**	**–**	**23,282**	**23,282**
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)

36. FINANCIAL INSTRUMENTS (Continued)

Fair value measurement of financial instruments

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Financial assets				
Commodity futures contracts	**4,648**	**–**	**–**	**4,648**
Other derivative financial instruments	**–**	**12,597**	**–**	**12,597**
Financial liabilities				
Commodity futures contracts	**10,948**	**–**	**–**	**10,948**
Other derivative financial instruments	**–**	**39,786**	**–**	**39,786**
Gold loans	**–**	**1,804,969**	**–**	**1,804,969**
At 31 December 2016				
Financial assets				
Commodity futures contracts	46,204	–	–	46,204
Other derivative financial instruments	–	23,227	–	23,227
Financial liabilities				
Commodity futures contracts	5,408	–	–	5,408
Other derivative financial instruments	–	192,437	–	192,437
Derivative component of convertible note	–	–	1	1
Gold loans	–	1,738,617	–	1,738,617

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 2017 RMB'000	2016 RMB'000	Fair value hierarchy	Valuation technique
Copper futures contracts:	Assets	**4,287**	42,659	Level 1	Note 1
	Liabilities	**7,956**	5,408	Level 1	Note 1
Gold futures contracts:	Assets	**361**	724	Level 1	Note 1
Gold forward contracts:	Assets	**12,597**	–	Level 2	Note 2
	Liabilities	**9,705**	192,437	Level 2	Note 2
Silver futures contracts:	Assets	**–**	2,821	Level 1	Note 1
	Liabilities	**2,992**	–	Level 1	Note 1

36. 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)

		Fair value At 31 December 2017 RMB'000	2016 RMB'000	Fair value hierarchy	Valuation technique
Currency forward contracts:	Assets	**–**	23,227	Level 2	Note 2
	Liabilities	**3,712**	–	Level 2	Note 2
Currency option contracts:	Liabilities	**26,369**	–	Level 2	Note 2
Gold loans:	Liabilities	**1,804,969**	1,738,617	Level 2	Note 3
Derivative component of convertible note	Liabilities	**–**	1	Level 3	Note 4

Notes:

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

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

(3) Discounted cash flows, future cash flows are estimated based on gold forward prices that are discounted at a rate that reflects the credit risk of various counterparties.

(4) 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

	2017 RMB'000	2016 RMB'000
Opening balance	**(1)**	(18,999)
Gains credited to profit or loss during the year	**1**	19,381
Exchange realignment	**–**	(383)
Closing balance	**–**	(1)

There were no transfers between Level 1 and 2 for the years ended 31 December 2017 and 2016, and there were no transfers into or out of Level 3 during both years.

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

Except as disclosed in Notes 28 and 31, 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.

37. TRANSFERS OF FINANCIAL ASSETS

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

	Bills receivables endorsed to suppliers RMB'000	Bills receivables discounted to Daye Finance Company RMB'000	Bills receivables discounted to banks RMB'000
At 31 December 2017			
Carrying amount of transferred assets	**48,872**	**–**	**–**
Carrying amount of associated liabilities	**(48,872)**	**–**	**–**
Net position	**–**	**–**	**–**
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	–	–	–

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 risks and rewards of ownership of the bills receivables and continued to recognise the bills receivables. Associated liabilities have been recognised and included in bank and other borrowings.

In addition, the Group endorsed certain bills receivables to suppliers to exchange for goods and services from those suppliers which transferred the contractual rights to receive cash flows from those bills receivables to the respective suppliers. The Directors consider the Group did not transfer substantially all of the risks and rewards of ownership of the bills receivables and continued to recognise the bills receivables and the associated trade payables.

38. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases certain lands and premises under non-cancellable operating leases to Daye Group and fellow subsidiaries with lease terms ranging from 1 to 10 years.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	**12,105**	13,589
In the second to fifth year inclusive	**4**	–
Over five years	**5**	–
	12,114	13,589

The Group as lessee

The Group leases certain lands and premises under non-cancellable operating leases from Daye Group for 30 years. The Group 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 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	
	2017	2016
	RMB'000	RMB'000
Within one year	**13,502**	14,773
In the second to fifth year inclusive	**51,017**	51,767
Over five years	**216,820**	229,574
	281,339	296,114

39. CAPITAL COMMITMENTS

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Capital expenditure contracted but not provided for in respect of:		
Acquisition of property, plant and equipment	**364,549**	485,749

40. CONTINGENT LIABILITIES

The Group provided guarantees to banks in favour of a joint venture of the Group in respect of the banking facilities provided by the banks to that joint venture. As at 31 December 2017, the aggregate amount of guarantees was RMB100,000,000 (2016: RMB150,000,000), which represented the amount that could be required to be paid if guarantees were called upon in entirety, of which RMB100,000,000 had been utilised by the joint venture as at 31 December 2017 (2016: RMB145,500,000).

In the opinion of the Directors, the fair value of the financial guarantee contracts at initial recognition and subsequently at the end of each reporting period is not significant as the default rate is low.

41. RELATED PARTY TRANSACTIONS

Transactions and balances with the PRC government-related entities

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities").

Transactions with China Nonferrous Metal Mining (Group) Co., Ltd. Group

Other than the transactions and balances with related parties disclosed elsewhere in these consolidated financial statements, the Group also had the following significant transactions with related parties during the year.

	Notes	**Related parties**	**Year ended 31 December** **2017** **RMB'000**	2016 RMB'000
Income:				
Sales of non-ferrous metals*	(i)	Daye Group	**1**	105,140
	(i)	Fellow subsidiaries	**2,153,201**	1,404,977
Sales of other materials*	(i)	Daye Group	**358**	263
	(i)	Fellow subsidiaries	**113,120**	82,642
Sales of other materials	(i)	Fellow subsidiaries	**9**	–
Rendering of services*	(i)	Daye Group	**2,463**	189
	(i)	Fellow subsidiaries	**1,964**	1,809
Rendering of services	(i)	Fellow subsidiaries	**–**	295
Interest income*	(ii)	Daye Finance Company	**9,942**	10,238
Interest income	(ii)	A joint venture	**532**	1,009
Rental income for leasing of assets*	(iii)	Daye Group	**9,974**	11,193
	(iii)	Fellow subsidiaries	**2,598**	2,611
Rental income for leasing of lands	(iii)	Fellow subsidiaries	**932**	907

41. RELATED PARTY TRANSACTIONS (Continued)

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

Transactions with China Nonferrous Metal Mining (Group) Co., Ltd. Group (Continued)

	Notes	Related parties	Year ended 31 December 2017 RMB'000	2016 RMB'000
Expenses:				
Transportation fees*	(i)	An associate of Daye Group	**2,674**	2,971
Utilities fees*	(i)	Fellow subsidiary	**290,347**	278,436
	(i)	Daye Group	**1,418**	103
Purchases of non-ferrous metals*	(i)	Daye Group	**5,814**	90,168
	(i)	Fellow subsidiaries	**731,734**	1,169,468
	(i)	An associate of Daye Group	**75,066**	–
Purchases of other products*	(i)	Daye Group	**30**	–
	(i)	Fellow subsidiaries	**41,364**	–
Other service expense*	(i)	Fellow subsidiaries	**3,382**	–
Rental expense for leasing of lands*	(iii)	Daye Group	**11,490**	11,912
Rental expense for leasing of lands	(iii)	Fellow subsidiaries	**935**	893
Rental expense for leasing of assets (premises)*	(iii)	Fellow subsidiaries	**5,156**	1,897
Interest expense	(iv)	Daye Group	**50,961**	60,206
	(iv)	Daye Finance Company	**15,411**	15,763
	(iv)	Fellow subsidiary	**5,364**	4,411
	(v)	China Times	**52,017**	86,417
Purchase of accommodation, catering, conference and other services	(i)	An associate of Daye Group	**523**	542
Bills acceptance and settlement services fees*	(i)	Daye Finance Company	**85**	30
Capital expenditures:				
Construction contract fees*	(i)	Fellow subsidiaries	**235,804**	371,378
Other service fees*	(i)	Fellow subsidiaries	**106,794**	108,964
	(i)	An associate of Daye Group	**–**	1,354
	(i)	Daye Group	**–**	152

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

41. RELATED PARTY TRANSACTIONS (Continued)

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

Transactions with China Nonferrous Metal Mining (Group) Co., Ltd. Group (Continued)

Notes:

(i) These transactions were conducted in accordance with terms of the relevant agreements, of which the transaction price was determined based on the government-prescribed price or by reference to market price.

(ii) The interest income arose from the deposits placed with Daye Finance Company and amount due from a joint venture. Further details of the balance at the end of the reporting period are set out in Notes 25 and 23, respectively.

(iii) These transactions were conducted in accordance with terms of the relevant agreements, of which the rentals for leasing lands/assets were determined by reference to the amortisation/depreciation of the relevant lands/assets.

(iv) The interest expense arose from unsecured loans from Daye Group, 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.

(v) The interest expense arose from convertible note and promissory note from China Times. Further details of the convertible note and promissory note at the end of the reporting period are set out in Notes 30 and 31, respectively.

Transactions with other the PRC government-related entities

The Group has entered into various transactions, amongst others, including deposit placements, borrowings, and other bank facilities, with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of these transactions, the Directors 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.

42. MAJOR NON-CASH TRANSACTIONS

During the current year, the Note was matured and settled by the issuance of the Promissory Note with a principal amount of RMB891,537,000 as detailed in Notes 30 and 31.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank and other borrowings	Convertible note	Promissory note	Interest payable for promissory note	Amount due to a joint venture and Daye Group under other payables and accrued expenses	Interest payables	Total
	(Note 28)	(Note 30)	(Note 31)	(Note 31)	(Note 27)	(Notes 27 and 28)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	8,781,562	880,609	–	–	48,201	33,543	9,743,915
Financing cash flows	(799, 058)	–	–	–	(878)	(378,580)	(1,178,516)
Fair value adjustments	211,842	(1)	–	–	–	–	211,841
Interest expenses	–	17,210	–	34,807	–	373,409	425,426
Foreign exchange translation	(50,837)	(6,281)	–	–	–	–	(57,118)
Redemption of convertible note	–	(891,537)	891,537	–	–	–	–
At 31 December 2017	8,143,509	–	891,537	34,807	47,323	28,372	9,145,548

44. 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 RMB109,325,000 for the year ended 31 December 2017 (2016: RMB123,874,000).

45. 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 2017	2016	Principal activities
China Daye Hong Kong International Trading Ltd. (Note (a))	British Virgin Islands/ 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*) (Notes (b) and (c))	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") (Notes (b) and (d))	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*) (Notes (b) and (c))	PRC/PRC	RMB1,000,000	95.35%	95.35%	Quality testing of construction projects
Hui Xiang (Notes (b) and (d))	PRC/PRC	RMB226,000,000	55%	55%	Mineral exploitation
昆明大鑫貿易有限公司 (Kunming Daxin Trading Co., Ltd.*) (Notes (b) and (c))	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
湖北潤寶金屬礦業有限責任公司 (Hubei Rainbow Metals Co., Ltd.*) (Notes (b) and (e))	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 subsidiary is directly held by the Company.

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

(c) These subsidiaries are PRC limited liability companies.

(d) These subsidiaries are sino-foreign owned enterprises established in the PRC.

(e) This subsidiary is a wholly-foreign owned enterprise established in the PRC.

45. DETAILS OF SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length. None of the subsidiaries had any debt securities outstanding as at 31 December 2017 and 2016 or at any time during both years.

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

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

Name of subsidiary	Place of establishment and place of business	Proportion of ownership interests held by non-controlling interests 2017 and 2016	(Loss)/profit allocated to non-controlling interests 2017 RMB'000	2016 RMB'000	Accumulated non-controlling interests 2017 RMB'000	2016 RMB'000
Hubei Daye	PRC	4.65%	**(1,373)**	528	**172,810**	174,183
Hui Xiang	PRC	45%	**7,525**	(3,787)	**742**	(6,783)
Individually immaterial subsidiaries with non-controlling interests			**(96)**	1,991	**(9,356)**	(9,260)
Total			**6,056**	(1,268)	**164,196**	158,140

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

45. DETAILS OF SUBSIDIARIES (Continued)

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

Hubei Daye

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**6,788,938**	6,844,385
Non-current assets	**8,264,261**	8,375,616
Current liabilities	**(5,981,974)**	(5,277,584)
Non-current liabilities	**(5,354,884)**	(6,196,556)
Net assets	**3,716,341**	3,745,861
Equity attributable to owners of the Company	**3,543,531**	3,571,678
Non-controlling interests of Hubei Daye	**172,810**	174,183
Total equity	**3,716,341**	3,745,861
Revenue	**33,361,530**	38,738,126
Expenses	**(33,391,050)**	(38,726,774)
(Loss)/profit and total comprehensive (expense)/income for the year	**(29,520)**	11,352
(Loss)/profit and total comprehensive (expense)/income attributable to:		
Owners of the Company	**(28,147)**	10,824
Non-controlling interests of Hubei Daye	**(1,373)**	528
	(29,520)	11,352
Dividends paid to non-controlling interests	**–**	–
Net cash inflow/(outflow) from:		
Operating activities	**1,758,467**	1,447,367
Investing activities	**(422,476)**	(877,932)
Financing activities	**(1,489,796)**	(739,527)
Net cash outflow	**(153,805)**	(170,092)

45. DETAILS OF SUBSIDIARIES (Continued)

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

Hui Xiang

	At 31 December	
	2017	2016
	RMB'000	RMB'000
Current assets	**77,977**	21,445
Non-current assets	**1,212,118**	1,261,596
Current liabilities	**(753,932)**	(1,048,215)
Non-current liabilities	**(534,517)**	(249,900)
Net assets/(liabilities)	**1,646**	(15,074)
Equity/(deficit) attributable to owners of the Company	**905**	(8,291)
Non-controlling interests of Hui Xiang	**741**	(6,783)
Total equity/(deficit)	**1,646**	(15,074)
Revenue	**374,370**	733
Expenses	**(357,650)**	(9,148)
Profit/(loss) and total comprehensive income/(expense) for the year	**16,720**	(8,415)
Profit/(loss) and total comprehensive income/(expense) attributable to:		
Owners of the Company	**9,195**	(4,628)
Non-controlling interests of Hui Xiang	**7,525**	(3,787)
	16,720	(8,415)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow/(outflow) from:		
Operating activities	**99,431**	353
Investing activities	**(77,610)**	(21,292)
Financing activities	**(18,255)**	34,685
Net cash inflow	**3,566**	13,746

46. 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	
	2017	2016
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Unlisted investments in subsidiaries	**3,785,288**	3,785,288
Unlisted investments in joint ventures	**1**	1
Amounts due from subsidiaries	**479,918**	457,500
	4,265,207	4,242,789
CURRENT ASSETS		
Amounts due from subsidiaries	**80**	38
Amounts due from joint ventures	**70,178**	140,665
Bank balances and cash	**1,185**	967
Prepayments and other receivables	**8,353**	8,047
	79,796	149,717
CURRENT LIABILITIES		
Amounts due to subsidiaries	**9,831**	8,677
Amounts due to joint ventures	**1**	1,015
Convertible note	**–**	880,609
Loans from Daye Group	**–**	100,000
Loans from a subsidiary	**40,000**	–
Other payables and accrued expenses	**28,824**	13,704
	78,656	1,004,005
NET CURRENT ASSETS/(LIABILITIES)	**1,140**	(854,288)
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,266,347**	3,388,501
CAPITAL AND RESERVES		
Share capital	**727,893**	727,893
Reserves (Note (a))	**2,312,110**	2,360,608
TOTAL EQUITY	**3,040,003**	3,088,501
NON-CURRENT LIABILITIES		
Loans from a subsidiary	**300,000**	300,000
Promissory note	**891,537**	–
Interest payable for promissory note	**34,807**	–
	1,226,344	300,000
	4,266,347	3,388,501

46. 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 bonds equity reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2016	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	–	–	(104,639)	104,639	–
At 31 December 2016	124,592	1,825	–	2,234,191	2,360,608
Loss and total comprehensive expense for the year	–	–	–	(48,498)	(48,498)
At 31 December 2017	124,592	1,825	–	2,185,693	2,312,110