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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "Board") of the directors (the "Directors") of China Daye Non-Ferrous Metals Mining Limited (the "Company", together with its subsidiaries, the "Group") announces the audited consolidated results of the Group for the year ended 31 December 2017 prepared in accordance with Hong Kong Financial Reporting Standards as follows (together with the comparative figures for the corresponding period of the previous year):

HIGHLIGHTS

	2017	2016
	RMB'000	*RMB'000*
Revenue	**33,529,012**	38,915,713
Gross profit	**927,215**	676,996
Loss for the year	**(91,191)**	(164,752)
Loss for the year attributable to owners of the Company	**(97,247)**	(163,484)
Basic loss per share	**RMB(0.54) fen**	RMB(0.91) fen

During the year, revenue decreased by 13.84% to RMB33,529,012,000, compared with RMB38,915,713,000 in the same period of 2016. Gross profit increased by RMB250,219,000 to RMB927,215,000, compared with RMB676,996,000 in the same period of 2016.

Loss for the year decreased by 44.65% to RMB91,191,000, compared with RMB164,752,000 in the same period of 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		Year ended 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	*3, 4*	**33,529,012**	38,915,713
Cost of sales and services rendered		**(32,601,797)**	(38,238,717)
Gross profit		**927,215**	676,996
Other income	*5*	**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	*6*	**(39,064)**	(66,183)
Finance costs	*7*	**(404,131)**	(416,556)
Share of results of joint ventures		**(7,284)**	8,119
Loss before tax		**(69,530)**	(116,748)
Income tax expenses	*8*	**(21,661)**	(48,004)
Loss and total comprehensive expense for the year	*9*	**(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	*11*		
– 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

		At 31 December	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**7,346,061**	7,550,233
Exploration and evaluation assets		**44,294**	63,427
Prepaid lease payments		**698,534**	693,460
Intangible assets		**666,249**	637,768
Interests in joint ventures		**41,254**	48,538
Deferred tax assets		**160,359**	182,020
Restricted bank deposits		**39,000**	39,000
Long term deposits		**71,390**	70,710
		9,067,141	9,285,156
CURRENT ASSETS			
Prepaid lease payments		**21,451**	20,951
Inventories		**4,813,802**	4,806,747
Trade and bills receivables	*12*	**518,557**	423,874
Prepayments and other receivables		**295,834**	337,489
Derivative financial instruments		**17,245**	69,431
Restricted deposits and bank balances		**181,399**	35,691
Bank and other deposits and cash		**957,112**	1,116,752
		6,805,400	6,810,935
CURRENT LIABILITIES			
Trade and bills payables	*13*	**2,484,878**	2,032,182
Other payables and accrued expenses		**1,034,416**	1,041,550
Bank and other borrowings		**3,058,032**	2,488,269
Derivative financial instruments		**50,734**	197,845
Convertible note		**–**	880,609
Early retirement obligations	*14*	**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

	Notes	At 31 December 2017 RMB'000	2016 RMB'000
CAPITAL AND RESERVES			
Share capital		**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		**5,085,477**	6,293,293
Promissory note	*15*	**891,537**	–
Interest payable for promissory note	*15*	**34,807**	–
Payables for purchase of property, plant and equipment		**282,564**	259,802
Amounts due to Daye Nonferrous Metals Group Holding Co., Ltd. ("Daye Group", an intermediate holding company of the Company)		**30,171**	–
Provision for mine rehabilitation, restoration and dismantling		**44,085**	42,801
Deferred income		**206,492**	225,661
Early retirement obligations	*14*	**103,090**	10,600
		6,678,223	6,832,157
		9,206,131	9,451,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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 Non-ferrous Metal Mining (Group) Co., Ltd., a state-owned enterprise established in the People’s Republic of China (the “PRC”).

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

2. BASIS OF PREPARATION AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“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.

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by 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.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure, the application of these amendments has had no impact on the Group’s consolidated financial statements.

3. 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

4. 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

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.

5. OTHER INCOME

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Interest income from banks	**32,483**	50,097
Interest income from Daye Nonferrous Metals Group Finance Co., Ltd. ("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	**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.

6. 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 fair value through profit or loss	**(211,842)**	171,211
Reversal of impairment loss/(impairment loss), net, on:		
Property, plant and equipment	**–**	(1,859)
Trade receivables	**23**	(169)
Other receivables	**869**	(5)
Fair value gain on derivative component of convertible note	**1**	19,381
Exchange gains/(losses), net	**78,726**	(83,319)
Premium on redemption of convertible bonds	**–**	(10,397)
Other losses	**(35,522)**	–
Others	**–**	5,313
Total other gains and losses	**(39,064)**	(66,183)

7. 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	**17,210**	86,417
Interest on convertible bonds	**–**	15,802
Interest on promissory note	**34,807**	–
Unwind interest of provision for mine rehabilitation, restoration and dismantling	**1,284**	1,247
Unwind interest of early retirement obligations	**4,890**	460
Total borrowing costs	**431,600**	461,604
Less: Borrowing costs capitalised in the cost of qualifying assets	**(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.

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**–**	77
Overprovision in prior years:		
Hong Kong	**–**	(592)
Deferred tax	**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.

9. 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
Employee benefits expense (including Directors' remuneration) *(Note (iii))*:		
Salaries, wages and welfare	**519,407**	507,568
Retirement benefit scheme contributions	**109,325**	123,874
Provision for early retirement obligations *(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".

10. 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).

11. 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.

12. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2017	2016
	RMB'000	*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	**48,872**	54,228
Discounted to Daye Finance Company	**–**	2,000
Discounted to banks	**–**	39,000
Held by bank 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.

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

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.

13. 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.

14. EARLY RETIREMENT OBLIGATIONS

	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.

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.

15. PROMISSORY NOTE

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

A promissory note with a principal amount of RMB891,537,000 was issued to China Times Development Limited ("China Times"), the immediate holding company of the Company, on 7 March 2017 (the "Promissory Note") to settle the redemption of the convertible note in the aggregate principal amount of HK$1,003,836,048 (the "Note") upon maturity, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

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.

MARKET PROSPECTS

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 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.

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.

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.

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.

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).

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the reporting period.

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.

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.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with specific written terms of reference for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun. The Audit Committee has reviewed the final results of the year ended 31 December 2017.

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 CODE COMPLIANCE

For the year ended 31 December 2017, the Company had complied with the code provisions of the Corporate Governance Code ("CG Code") except for deviations from code provision 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.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company at www.hk661.com and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2017 annual report and the notice of the annual general meeting will be despatched to the shareholders of the Company and available on the same websites in due course.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By order of the Board
China Daye Non-Ferrous Metals Mining Limited
Tan Yaoyu
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Tan Yaoyu, Mr. Long Zhong Sheng and Mr. Zhai Baojin; and three independent non-executive Directors, namely Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Liu Jishun.