



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)

Interim Report 2010



INTERIM RESULTS

The board of directors (the "Board") of China Daye Non-Ferrous Metals Mining Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010. The interim results for the six months ended 30 June 2010 have not been audited, but have been reviewed by the Company's audit committee and auditors.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Unaudited	
		Six months ended	
		30 June	31 October
	Notes	2010	2009
		HK\$'000	HK\$'000
REVENUE	2	100,514	1,424
COST OF SALES		(100,095)	(645)
GROSS PROFIT		419	779
OTHER REVENUE	3	1,441	246
IMPAIRMENT OF MINING RIGHT WRITTEN BACK		–	59,704
GENERAL AND ADMINISTRATIVE EXPENSES		(14,166)	(100,101)
		(12,306)	(39,372)
LOSS ON CHANGES IN FAIR VALUE OF INVESTMENTS HELD FOR TRADING		–	(586)
OPERATING LOSS		(12,306)	(39,958)
FINANCE COSTS	4	(3)	(2)
LOSS BEFORE TAX	5	(12,309)	(39,960)
INCOME TAX	6	(36)	(14,926)
LOSS FOR THE PERIOD		(12,345)	(54,886)
OTHER COMPREHENSIVE INCOME:			
Exchange difference arising on translation of foreign operations		992	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		992	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(11,353)	(54,886)

		Unaudited	
		Six months ended	
		30 June	31 October
		2010	2009
Notes		HK\$'000	HK\$'000
	LOSS FOR THE PERIOD		
	ATTRIBUTABLE TO:		
	Owners of the company	(10,761)	(86,391)
	Non-controlling interests	(1,584)	31,505
		<u>(12,345)</u>	<u>31,505</u>
		<u>(12,345)</u>	<u>(54,886)</u>
	TOTAL COMPREHENSIVE INCOME		
	ATTRIBUTABLE TO:		
	Owners of the company	(9,790)	(86,391)
	Non-controlling interests	(1,563)	31,505
		<u>(11,353)</u>	<u>31,505</u>
		<u>(11,353)</u>	<u>(54,886)</u>
	LOSS PER SHARE:	HK cents	HK cents
	– BASIC	<u>(0.19)</u>	<u>(1.68)</u>
		<u>(0.19)</u>	<u>(1.68)</u>
	– DILUTED	<u>Nil</u>	<u>Nil</u>
		<u>Nil</u>	<u>Nil</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

		Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		19,228	18,731
Prepaid lease payment		1,667	1,670
Mining right	9	2,142,547	2,142,547
Jointly controlled entities	10	—	—
TOTAL NON-CURRENT ASSETS		2,163,442	2,162,948
CURRENT ASSETS			
Investments held for trading		—	6,990
Inventories		1,500	1,366
Trade and other receivables	11	15,070	3,644
Cash and bank balances		322,962	343,961
TOTAL CURRENT ASSETS		339,532	355,961
CURRENT LIABILITIES			
Trade and other payables	12	6,805	10,448
Deferred income		3,000	3,975
Tax payable		1,937	1,901
TOTAL CURRENT LIABILITIES		11,742	16,324
NET CURRENT ASSETS		327,790	339,637
TOTAL ASSETS LESS CURRENT LIABILITIES		2,491,232	2,502,585

		Unaudited	Audited
		30 June	31 December
		2010	2009
	Notes	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Cumulative redeemable			
preference shares	13	110	110
Deferred tax liabilities	14	<u>535,637</u>	<u>535,637</u>
TOTAL NON-CURRENT LIABILITIES		<u>535,747</u>	<u>535,747</u>
NET ASSETS		<u>1,955,485</u>	<u>1,966,838</u>
CAPITAL AND RESERVES			
Share capital	15	279,560	279,560
Reserves		<u>805,459</u>	<u>815,249</u>
Equity attributable to owners of company		1,085,019	1,094,809
Non-controlling interests		<u>870,466</u>	<u>872,029</u>
TOTAL EQUITY		<u>1,955,485</u>	<u>1,966,838</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 – Unaudited

	Attributable to owners of the company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Warrants reserve HK\$'000	Share based payment reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 May 2009	257,584	2,670,545	2,241	3,000	62,661	(38,334)	(2,126,866)	830,831	628,151	1,658,982
Loss for the period	-	-	-	-	-	-	(86,391)	(86,391)	31,505	(54,886)
Total comprehensive income for the period	-	-	-	-	-	-	(86,391)	(86,391)	31,505	(54,886)
Recognition of share-based payment	-	-	-	-	87,627	-	-	87,627	-	87,627
Share option lapsed/ cancelled	-	-	-	-	(62,661)	-	62,661	-	-	-
At 31 October 2009	257,584	2,670,545	2,241	3,000	87,627	(38,334)	(2,150,596)	832,067	859,656	1,691,723
At 1 January 2010	279,560	2,916,091	2,241	3,000	87,627	(38,337)	(2,155,373)	1,094,809	672,029	1,966,838
Loss for the period	-	-	-	-	-	-	(10,761)	(10,761)	(1,584)	(12,345)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	971	-	971	21	992
Total comprehensive income for the period	-	-	-	-	-	971	(10,761)	(9,790)	(1,563)	(11,353)
At 30 June 2010	279,560	2,916,091	2,241	3,000	87,627	(37,366)	(2,166,134)	1,085,019	870,466	1,955,485

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Unaudited	
	Six months ended	
	30 June 2010 HK\$'000	31 October 2009 HK\$'000
Net cash used in operating activities	(20,210)	(10,006)
Net cash used in investing activities	(789)	(1,252)
Net cash generated from financing activities	<u>—</u>	<u>161</u>
Decrease in cash and cash equivalents	(20,999)	(11,097)
Cash and cash equivalents at 1 January/May	<u>343,961</u>	<u>97,894</u>
Cash and cash equivalents at the end of period	<u>322,962</u>	<u>86,797</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and principal accounting policies

These unaudited condensed interim financial statements have been prepared using the historical cost basis except for mining rights and certain financial instruments which are measured at fair values.

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“new HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for financial year beginning on 1 January 2010. The adoption of the new HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. Segment information

Segment information reported to the chief operating decision maker, directors of the Company, is the type of goods delivered by the Group’s operating division for the purposes of resource allocation and performance assessment. The Group’s operating and reportable segments under HKFRS 8 are as follows:

The Group is currently organized into three major business divisions:

- (a) Corporate investment and trading in securities;
- (b) Minerals exploitation; and
- (c) Trading in non-ferrous metals.

For the purposes of assessing segment performance and resources between segments, the Group’s senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment revenue represents revenue generated from external customers. There were no inter-segment sales during the period (2009: Nil).

Segment result represents the profit earned by each segment without allocation of corporate income and expense, central administration cost, directors' salaries, interest income, changes in fair value of investments held for trading and impairment of mining right written back.

Segment assets include all tangible, intangible assets and current assets.

(a) Segment revenues and results

Six months ended 30 June 2010 (Unaudited)

	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000	Consolidated HK\$'000
Segment revenue	<u>7,221</u>	<u>-</u>	<u>93,293</u>	<u>100,514</u>
Segment results	<u>230</u>	<u>(2,821)</u>	<u>218</u>	<u>(2,373)</u>
Reconciliation:				
Total loss for reportable segments				(2,373)
Interest income				347
Unallocated corporate income				104
Unallocated corporate expenses				(10,384)
Finance costs				<u>(3)</u>
Loss before taxation				<u>(12,309)</u>

Six months ended 31 October 2009 (Unaudited)

	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000	Consolidated HK\$'000
Segment revenue	<u>1,424</u>	<u>-</u>	<u>-</u>	<u>1,424</u>
Segment results	<u>936</u>	<u>(1,579)</u>	<u>-</u>	<u>(643)</u>
Reconciliation:				
Total loss for reportable segments				(643)
Unallocated corporate income				-
Loss on changes in fair value of investments held for trading				(586)
Impairment of mining right written back				59,704
Unallocated corporate expenses				(98,433)
Finance costs				<u>(2)</u>
Loss before taxation				<u>(39,960)</u>

(b) Segment assets

	Corporate investment and trading in securities HK\$'000	Minerals exploitation HK\$'000	Trading in non-ferrous metals HK\$'000	Total for reportable segments HK\$'000
30 June 2010 (unaudited)				
Segment assets	<u>41</u>	<u>2,240,559</u>	<u>106,113</u>	2,346,713
Unallocated assets				<u>156,261</u>
Consolidated assets				<u>2,502,974</u>
31 December 2009 (audited)				
Segment assets	<u>8,610</u>	<u>2,166,341</u>	<u>-</u>	2,174,951
Unallocated assets				<u>343,958</u>
Consolidated assets				<u>2,518,909</u>

(c) Information about major customer

The Group's customer base is diversified and includes only three customers (2009: Nil) with whom transactions have exceeded 10% of the group's revenue. During the reporting period, revenue from sale of non-ferrous metals to those customers amounted to approximately HK\$93,293,000 (2009: Nil).

3. Other revenue

	Unaudited	
	Six months ended	
	30 June	31 October
	2010	2009
	HK\$'000	HK\$'000
Interest income	347	80
Miscellaneous income	104	3
Dividend income	–	163
Government grant	990	–
	<hr/>	<hr/>
	1,441	246
	<hr/>	<hr/>

4. Finance costs

	Unaudited	
	Six months ended	
	30 June	31 October
	2010	2009
	HK\$'000	HK\$'000
Dividends on cumulative redeemable preference shares (note 7)	2	2
Other interest	1	–
	<hr/>	<hr/>
	3	2
	<hr/>	<hr/>

5. Loss before tax

Loss before tax has been arrived at after charging:

	Unaudited	
	Six months ended	
	30 June	31 October
	2010	2009
	HK\$'000	HK\$'000
Staff costs, including directors' emoluments		
– Salaries and allowances	3,492	1,396
– Retirement benefits schemes contributions	31	19
– Share-based payments	–	33,758
Depreciation	639	605
Operating leases – land and buildings	786	719
Share-based payments – consultants	–	53,869
	–	–

6. Income tax

	Unaudited	
	Six months ended	
	30 June	31 October
	2010	2009
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong	36	–
– Other jurisdictions	–	–
	36	–
Deferred tax	–	14,926
	–	–
Tax expense for the period	36	14,926

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the period (2009: Nil). Overseas income taxes have not been made as the Group's operation in these countries was operating at a loss during the period (2009: Nil).

7. Dividends on cumulative redeemable preference shares

	Unaudited	
	Six months ended	
	30 June	31 October
	2010	2009
	HK\$'000	HK\$'000
Payable of HK\$0.151 per share on 16,485 shares (2009: Payable of HK\$0.151 on 16,485 shares)	<u>2</u>	<u>2</u>

Dividends on cumulative redeemable preference shares are paid half yearly at a rate of 6% per annum on the notional value of HK\$5 per preference share on 30 June and 31 December in each year. Unpaid dividends for the period of approximately HK\$3,000 (2009: HK\$3,000) were accrued as at 30 June 2010.

8. Loss per share

The basic loss per share is calculated based on the loss attributable to owners of the Company of approximately HK\$10,761,000 (2009: approximately HK\$86,391,000) and the weighted average number of 5,591,195,552 (2009: 5,151,679,552) ordinary shares in issue during the period.

The diluted loss per share for the periods ended 30 June 2010 and 31 October 2009 has not been disclosed as the potential shares arising from the exercise and conversion of the Company's share options and convertible preference shares would decrease the loss per share of the Group for the period and is regarded as anti-dilutive.

9. Mining right

Cost/carrying amount

	Unaudited	Audited
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Mining right	2,142,547	2,142,547

No amortisation was provided during the period as the Group has not yet commenced to exploit the ores.

10. Jointly controlled entities

	Unaudited	Audited
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Amounts due from jointly controlled entities	16,315	16,315
Allowances for impairment losses	(16,315)	(16,315)
	-	-

Equity accounting for the Group's interests in jointly controlled entities has been discounted since 2004 as the operations of these entities had ceased and receivers were appointed.

The carrying amounts of these jointly controlled entities have been fully impaired.

11. Trade and other receivables

	Unaudited	Audited
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Trade receivables	-	-
Other receivables	8,655	2,279
Prepayments and deposits	6,415	1,365
	<hr/> 15,070 <hr/>	<hr/> 3,644 <hr/>

12. Trade and other payables

	Unaudited	Audited
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Trade payables	-	-
Temporary deposits, accruals and other payables	6,805	10,448
	<hr/> 6,805 <hr/>	<hr/> 10,448 <hr/>

13. Cumulative redeemable preference shares

As at 30 June 2010, 16,485 (31 December 2009: 16,485 convertible cumulative redeemable preference shares) convertible cumulative redeemable preference shares ("CPS") of HK\$1 each are in issue.

A holder of the CPS is entitled to receive a fixed cumulative preferential dividend at the rate of 6% per annum on the notional value of HK\$5 per CPS to be paid half-yearly on 30 June and 31 December in each year.

A holder of the CPS may convert his shares held at any time into Ordinary Shares at the conversion price of HK\$0.036 per share, subject to adjustment.

The CPS may be redeemed by the holders of the CPS at any time after 30 June 1996 at a redemption price per share equal to the notional value plus accrued dividend.

The Company has the option to redeem all or some of the CPS at any time of the notional value of the CPS if the average of the closing prices of the Ordinary Share quoted on the Stock Exchange over the preceding 30 consecutive dealing days ending on the seventh day prior to the date upon which notice of redemption is given is greater than or equal to 150% of the conversion price in effect on such seventh day.

14. Deferred tax liabilities

	Unaudited 30 June 2010 HK\$'000	Audited 31 December 2009 HK\$'000
Mining right	<u>535,637</u>	<u>535,637</u>

15. Share capital

	Ordinary shares of HK\$0.05 each ("Ordinary Shares")	
	Number of Shares	HK\$'000
Authorised:		
At 31 December 2009 and at 30 June 2010	<u>30,000,000,000</u>	<u>1,500,000</u>
Issued and fully paid:		
At 31 December 2009 and at 30 June 2010	<u>5,591,195,552</u>	<u>279,560</u>

16. Share options scheme

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at its discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company.

Details of the existing share options granted by the Company under the Scheme are as follows:-

	Tranche 1	Tranche 2
Date of grant:	19 June 2009	19 June 2009
Exercisable periods/Fair value at grant date:	19 June 2009 to 18 June 2019/ HK\$0.2836	19 June 2010 to 18 June 2019/ HK\$0.2689
Number of share options granted:	158,600,000	158,600,000
Exercise price:	HK\$0.61	HK\$0.61
Share price as at the valuation date:	HK\$0.60	HK\$0.60
Expected volatility:	51.17%	51.17%
Risk-free interest rate as at the valuation date:	2.276%	2.137%
Expected life of option	5 years	4.5 years

The fair value of equity-settled share options granted was estimated as at the date of grant, using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the share options were granted. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporated into the measurement of fair value.

17. Contingent liabilities

There were no material contingent liabilities under the Group as at 31 December 2009 and 30 June 2010.

18. Commitments under operating leases

(a) Capital commitments

The Group did not have any material capital commitments as at 30 June 2010 (31 December 2009: Nil).

(b) Commitments under operating leases

At the balance sheet date, the Group's total future minimum lease payments under non-cancellable operating leases is analysed as follows:

	Unaudited	Audited
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
Land and buildings		
– within one year	615	1,469
– after one year but within five years	424	574
	1,039	2,043

19. Subsequent events

On 14 July 2010, the Company entered into formal agreement pursuant to which the Company conditionally agreed to purchase 100% equity interest of Qianyi Limited, a company incorporated with limited liability in the British Virgin Islands which will, upon completion of the reorganization, indirectly hold 80% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited), a company incorporated with limited liabilities in the PRC (“Tong Xing”), at the consideration of HK\$280 million (the “Consideration”). The Consideration will be satisfied as to HK\$60 million by cash and as to HK\$220 million by the Company’s issuing the convertible notes to the vendor. Details of the acquisition were set out in the announcement of the Company dated 16 July 2010.

On 17 August 2010, the Company entered into strategic cooperation agreement pursuant to which the Company shall be responsible for utilizing its capital and status as a listed company for exploration of gold mining resources while 湖北省黃金公司 (Hubei Province Gold Company) shall give priority to the Company for the cooperation of exploration of gold mining resources which are presently owned or to be acquired by Hubei Province Gold Company in China and overseas. Details of the agreement were set out in the announcement of the Company dated 17 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Future Prospects

For the six months ended 30 June 2010, the Group recorded a turnover of approximately HK\$100,514,000 (For the six months ended 31 October 2009: HK\$1,424,000) and had an unaudited loss attributable to shareholders of approximately HK\$10,761,000 whereas a loss of approximately HK\$86,391,000 was recorded for the six months ended 31 October 2009. As at 30 June 2010, the net assets of the Group amounted to approximately HK\$1,955,485,000.

During the six months ended 30 June 2010, the financial markets started to recover from global crisis, the price of certain listed securities held by Company increased throughout the period under review. Accordingly, the Company recorded a gross profit of approximately HK\$230,000 arising from the investment in securities trading.

As compared to previous period, the Group's revenue was increased because there was a significant sales of non-ferrous metals recorded in a subsidiary of the Company. Gross profit arising from trading in non-ferrous metals amounted to approximately HK\$188,000. In addition, the Group's net loss was narrowed significantly because there was a recognition of share-base payment of approximately HK\$87,627,000 in the income statement for the period ended 31 October 2009.

The Group is principally engaged in securities trading and investments, property investment, management consultancy, natural resources investment and development and trading in non-ferrous metals.

Given the continuing economic growth and accelerated industrialization and urbanization in the PRC, natural resources are in demand at all times and the Board considers that the demand for natural resources will maintain its growth momentum.

Mining and related businesses

During the period ended 30 June 2010, in order to further strengthen the existing mining business of the Group, the Group made capital contribution to Xinjiang Gold Forever Mineral Corporation Limited (新疆匯祥永金礦業有限公司) (a subsidiary in PRC) and Reservoir (Mongolia) Limited (a subsidiary in the Republic of Mongolia) amounted to approximately HK\$51,820,000 and approximately HK\$715,000 respectively.

In order to broaden the income stream of the Company, on 3 May 2010, an agreement (“Agreement”) entered into between China National Information Resources Holdings Ltd. (“CNIR”), a subsidiary of the Company. Incorporated in Hong Kong with limited liability and Daye Nonferrous Metals Ltd. (“Daye Nonferrous”), a company incorporated in the PRC and is an associated company of Hubei Daye Non Ferrous Metal Co. (a company incorporated in the PRC and is a substantial shareholder of the Company) pursuant to which:-

- (i) CNIR agreed to sell to Daye Nonferrous, and Daye Nonferrous agreed to purchase from CNIR, copper concentrates, scrap copper, cathode copper, etc. during the term of the Agreement; and
- (ii) Daye Nonferrous agreed to sell to CNIR, and CNIR agreed to purchase from Daye Nonferrous, silver, gold, cathode copper, etc. during the term of the Agreement.

Details of the transactions were set out in the announcement of the Company dated 4 June 2010. The transaction was approved in the Special General Meeting of the Company dated 29 June 2010.

The Board believes that the proposed transactions will broaden the revenue bases of the Group and help developing the Group’s expertise and experience in raw metal materials trading, which will enhance the competitiveness of the Company in the future.

Future Prospects

In view of the global economic recovery, the Board expects that there will be increasing demand in mineral resources. Accordingly, the Group proposes to further invest in molybdenum/wolfram and silver/copper mining related businesses.

On 14 July 2010, the Company entered into formal agreement pursuant to which the Company conditionally agreed to purchase 100% equity interest of Qianyi Limited, a company incorporated with limited liability in the British Virgin Islands which will, upon completion of the reorganization, indirectly hold 80% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited), a company incorporated with limited liabilities in the PRC (“Tong Xing”), at the consideration of HK\$280 million (the “Consideration”). The Consideration will be satisfied as to HK\$60 million by cash and as to HK\$220 million by the Company’s issuing the convertible notes to the vendor. Details of the acquisition were set out in the announcement of the Company dated 16 July 2010.

The principal businesses of Tong Xing are exploration and exploitation of copper in the PRC. Tong Xing is the owner of the Mine located in Xinjiang Uygur Autonomous Region of the PRC and has obtained the related exploration right in respect of an area of 21.67 square kilometers, it is in the process of applying for the mining right for the Mine from the relevant government authorities in the PRC.

According to the valuation report issued by an independent valuer on 1 March 2010, the market value of the Mine as at 31 January 2010 was HK\$400,000,000.

The Board believes that, in view of the signs of global economy recovery which support the continued appreciation of the price of copper, the Acquisition will increase the Company’s copper reserves and enhance the competitiveness of the Company in the future.

On 17 August 2010, the Company entered into strategic cooperation agreement pursuant to which the Company shall be responsible for utilizing its capital and status as a listed company for exploration of gold mining resources while 湖北省黃金公司 (Hubei Province Gold Company) shall give priority to the Company for the cooperation of exploration of gold mining resources which are presently owned or to be acquired by Hubei Province Gold Company in China and overseas.

The parties to the Strategic Cooperation Agreement will also cooperate and share their experience and resources in metals mining technologies, project management, capital operations and human resources management.

Details of the agreement were set out in the announcement of the Company dated 17 August 2010.

The cooperation with 湖北省黃金公司 (Hubei Province Gold Company) in the exploration of gold mining resources in China can broaden the sources of income of the Company and its subsidiaries and can further develop mining business in China and therefore will be beneficial to the Company and its shareholders as a whole.

Given the continuing economic growth in China, the Board expects that there will be an increase in the demand and application of resources of molybdenum, wolfram, silver and copper, the Company is confident that the investment in mining and related businesses will produce considerable return to the Company in the future.

Looking ahead, the Group will continue to strengthen development of its internal resources and fortify its foundation while keeping its eyes on cooperation opportunities conduction to its development in order to build a portfolio of strong mining business with an emphasis on high value added products.

Change of financial year end date

On 19 January 2010, the Board of Directors of the Company announced that the financial year end date of the Company has been changed from 30 April to 31 December.

The reason for such a change is to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in the People's Republic of China, and thereby facilitating the preparation of the consolidated financial statements of the Company and its subsidiaries.

Liquidity and Capital Resources

As at 30 June 2010, the Group had cash and bank balances of approximately HK\$322,962,000, with net assets totaling to approximately HK\$1,955,485,000 with current ratio, based on the current assets of approximately HK\$339,532,000 and current liabilities of approximately HK\$11,742,000 of 28.92. The Groups' gear ratio was 21.87% based on the total liabilities of approximately HK\$547,489,000 and total assets of approximately HK\$2,502,974,000.

As at 30 June 2010, the Group had neither bank borrowings nor assets pledged to fund/loan providers.

The Group believes that liquid assets, fund and future revenue will be sufficient to finance future expansion and working capital requirement.

Employees, Remuneration Policy and Share Option Scheme

As at 30 June 2010, the Group had a total of 58 employees (including Hong Kong and PRC offices). The remuneration package consists of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors.

The Company adopted a share option scheme on 13 October 2003 to enable the Company to grant options to selected participants, including employees and directors of the Group, as incentive or rewards for their contribution to the Group.

Foreign Exchange Exposure

The Group's cash balance and short term investments are mainly in the currency of Hong Kong Dollars. The effect of the exchange rate on the Group's cash flow is minimal and the Group had not employed any financial instrument for hedging purpose.

Material acquisitions and disposal of subsidiaries

The Group has not made any material acquisition or disposal of subsidiaries during the period ended 30 June 2010.

Contingent liabilities

As at 30 June 2010, the Group had no contingent liabilities.

INTERIM DIVIDEND

The Board of Director has resolved not to declare any interim dividend for the six months ended 30 June 2010 (2009: Nil).

DIRECTORS' INTEREST IN SHARES

As at 30 June 2010, the interest and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any 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 under section 352 of the SFO or as otherwise notified to the Company or The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(i) Long positions in share of the Company

Name of director	Capacity	Number of shares	Approximate percentage of total relevant class of shares in issue
Wang Qihong	Beneficial owner	1,500,000 shares	0.03%
Wang Guoqi	Beneficial owner	900,000 shares	0.02%

(ii) Long positions in underlying share of the Company

Name of director	Capacity	Number of shares (Note)
Wan Bi Qi (Chairman)	Beneficial owner	50,000,000 Shares
Chen Xiang	Beneficial owner	50,000,000 Shares
Yuan Ping	Beneficial owner	5,000,000 Shares

Note: The long positions in the underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the options granted by the Company to the above mentioned directors pursuant the share option scheme of the Company.

Save as disclosed above, none of the Directors, chief executives or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any its associated corporations as defined in Part XV of 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

The Company's share options scheme was adopted by the Company on 13 October 2003 (the "Scheme") for the purpose of enabling the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the Board of Directors of the Company may, at its discretion, invite eligible participants (as contained in the Company's circular of 19 September 2003) to take up options to subscribe for shares of the Company.

The following table discloses movements in the Company's share options during the period:

	No. of options outstanding at 31 December 2009	No. of options cancelled/ lapsed during the period	No. of options granted during the period	No. of options outstanding at 30 June 2010
Directors				
– Wan Bi Qi	50,000,000	–	–	50,000,000
– Chen Xiang	50,000,000	–	–	50,000,000
– Yuan Ping	5,000,000	–	–	5,000,000
Employees and others	<u>212,200,000</u>	<u>–</u>	<u>–</u>	<u>212,200,000</u>
Total	<u>317,200,000</u>	<u>–</u>	<u>–</u>	<u>317,200,000</u>

Details of share options granted were as follows:

Date of grant/ acceptance	Exercise period	Exercise price per share	Closing price immediately before date of offer	Closing price immediately before date of grant
19 June 2009	19 June 2009 – 18 June 2019	HK\$0.61	HK\$0.61	HK\$0.60
19 June 2009	19 June 2010 – 18 June 2019	HK\$0.61	HK\$0.61	HK\$0.60

At no time during the period was the Company, its holding company, or any its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Share in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at 30 June 2010, so far is known to the Directors, the following persons (other than the Directors and Chief Executives of the Company) had interests or short positions 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 of the Company

Name of Shareholder	Capacity	Number of shares	Approximate percentage of total relevant class of shares in issue
China Times Development Limited (Note 1)	Beneficial owner	1,163,236,988 Shares	20.80% (Note 2)
Hubei Daye Non Ferrous Metals Co. (Note 1)	Controlled corporation	1,163,236,988 Shares	20.80% (Note 2)
Mr. Chen Liang	Beneficial owner	335,563,772 Shares	6.00% (Note 2)
China Times Development Limited (Note 1)	Beneficial owner	5,495 CPS	33.33%
Hubei Daye Non Ferrous Metals Co. (Note 1)	Controlled corporation	5,495 CPS	33.33%

Notes:

1. These Shares are held by China Times Development Limited, the entire issued capital of which are beneficially owned by Hubei Daye Non Ferrous Metals Co.
2. The percentage is calculated based on 5,591,195,552 Shares in issue.

Save as disclosed above, the Directors are not aware of any other persons who have 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

Save as disclosed, no contract of significance, to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 30 June 2010 or during the period under review.

EQUITY

As at 30 June 2010, the total number of issued and fully paid ordinary shares of the Company was 5,591,195,552 amounted to approximately HK\$279,560,000; and there were 16,485 CPS of HK\$1 each in issue at 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in the jurisdiction of Bermuda in which the Company is incorporated.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the period.

AUDIT COMMITTEE

The Company established an audit committee in accordance with the requirements of the Code, for the purpose of reviewing and providing supervising over the Group's financial reporting process and internal controls. The audit committee comprising of three independent non-executive Directors, Messrs. Wang Guoqi, Wang Qihong and Qiu Quan Zhou. The audit committee of the company has reviewed the interim results for the period ended 30 June 2010.

REMUNERATION COMMITTEE

The Company has established its Remuneration Committee with specific written terms of reference. 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 is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company.

The Remuneration Committee comprises three independent non-executive directors, namely Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Qiu Quan Zhou. The Remuneration Committee held one meeting during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company executed high standard of business ethics and corporate governance practices. The Board considers such commitment essential in achieving high level of transparency and accountability and it is to the best interest of the shareholders.

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not throughout the period under review, in compliance with the Code on Corporate Governance Practices (“CG Code”), as set out in Appendix 14 to the Listing Rules (except code A4.1 – which specifies term that non-executive directors should be appointed for a specific term, subject to the re-election and code A4.2 – which specifies that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years). However, all directors (including executive and non-executive) of the Company are subject to retirement by rotation at the annual general meeting in accordance with Bye-laws of the Company, as such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practice are no less exacting than those in the Code.

By Order of the Board of
CHINA DAYE NON-FERROUS METALS MINING LIMITED
Wan Bi Qi
Chairman

Hong Kong, 2 September 2010

As at the date of this report, the Board of Directors of the Company comprises Mr. Wan Bi Qi as the chairman and executive director; Mr. Chen Xiang and Ms. Yuan Ping as executive directors; and Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Qiu Quan Zhou as independent non-executive directors.