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

2012

CHAIRMAN'S STATEMENT

I. Business Review

1. OPERATING RESULTS IMPROVED SIGNIFICANTLY

Following the acquisition of the equity interest in Prosper Well Group Limited ("Prosper Well") held by China Times Development Limited ("China Times") and China Cinda (HK) Asset Management Co. Limited ("Cinda HK"), there have been significant positive changes in the production and operation modes of the Company. Our profitability has been significantly enhanced and our operating results have radically improved, achieving a turnaround from loss to sustainable profit.

In the first half of 2012, the Company overcame the adverse impact brought about by the challenging macro-economic environment and the continuous downward trend of the price of our main products, and maintained the good momentum of stable production and operation and rapid growth by taking various effective measures such as optimizing production processes and marketing activities, enhancing management efficiency and speeding up the construction of key sustainable projects.

In addition, by streamlining our production process, the Company operated at full capacity and basically achieved its planned targets. Except for copper cathodes and iron concentrate which recorded a slight decrease in output, the output of all other products reported an increase. During the first half of the year, the Company produced a total of 11,092 tonnes of mined copper, up by 13.19% year-on-year; 122,000 tonnes of copper cathodes, down by 8.22% year-on-year; 178.4 tonnes of precious metals (including 3,885 kg of gold, 174.44 tonnes of silver, 5 kg of platinum and 82 kg of palladium), up by 15.12% year-on-year; 334,300 tonnes of chemical products (including sulfuric acid), up by 25.25% year-on-year; and 119,000 tonnes of iron concentrate.

Benefitting from the increase in output of our products and the rapid development of other segments such as trading business, in the first half of the year, the Company's results hit a new record high by achieving sales revenue of RMB14,722,695,000, up by 7.68% year-on-year. The Company delivered a profit attributable to owners of the Company of RMB80,309,000.

2. *CAPITAL OPERATIONS ACHIEVED SIGNIFICANT PROGRESS*

On 7 March 2012, the Company successfully completed the acquisition of the equity interest in Prosper Well from China Times and Cinda HK by way of the allotment and issue of 10,799,762,092 and 936,953,542 ordinary shares of the Company to China Times and Cinda HK respectively, as well as the issue of HK$1,003,836,048 zero coupon convertible note to China Time. Thanks to the concerted efforts of all shareholders and our staff, the reverse takeover was successfully completed after overcoming many difficulties and the completion of four major tasks, including domestic reorganization, overseas approval, overseas capital injection and application for new listing. The complicated process involved various issues including the injection of mining assets into the Company, the reverse takeover and the whitewash waiver, as well as the cross-border transfer of assets and cross-border merger and acquisition, and it was one of the most difficult capital merger and acquisition projects in Mainland China and Hong Kong over the recent years. The injection of quality domestic assets of the controlling shareholders into the Company established a solid financing platform for the Company's future development.

3. *ACHIEVEMENTS WERE MADE IN THE EXPLORATION OF MINERAL RESOURCES*

The Company has completed the design and assessment work for two national projects, namely the strategic exploration of Tonglvshan Mine (銅綠山礦) and the exploration of replacement resources in Tongshankou Mine (銅山口礦), both of which will soon be implemented. The total drilling depth of integrated exploration in Tonglvshan Mine has reached 1,510 meters. Apart from the commencement of the in-depth prospecting in Fengshan Copper Mine (豐山銅礦) and the detailed exploration in its south fringe, the Company has also kicked off the underground re-exploration and drilling in Tongshankou Mine and the drilling work of integrated exploration in Chimashan Mine (赤馬山礦).

4. *REMARKABLE RESULTS WERE ACHIEVED IN MINE CONSTRUCTION*

Internal construction work in our mines have been completed as scheduled. A major breakthrough was made in the land acquisition, demolition and resettlement for construction of a new tailings storage facility for Tongshankou Mine, thus laying a solid foundation for accelerating the construction of the new tailings storage facility. Basically, the replacement work in our internal mines has progressed as planned. For the mining of No. XI ore body in Tonglvshan Mine, the wellbores of the mixed well and the wind well have been excavated to the required depth, while the construction work on the middle portion of the ore pass fragmenting system-862m has completed a drilling volume of 250m/1,859m^3. For the in-depth mining work in Tongshankou Mine, the wellbores of its main and auxiliary wells and upcast air shaft have been well excavated and reinforced, with a drilling volume of 168m/7,809m^3 completed for the ore pass fragmenting system of the main well. For the in-depth mining work in Fengshan Copper Mine, a drilling volume of 704m/5,229m^3 has been completed. For Xinjiang Ulugqat Sareke Copper Mine, the Company has completed the drilling of an incline with a drilling depth of 145m, a ventilation shaft with a tunneling depth of 90m, and the detailed exploration work in north ore belt with a surface drilling depth of 6,132m and a level drilling depth of 1,323m.

5. *METALLURGICAL UPGRADING HAS PROGRESSED SMOOTHLY*

Construction of the Ausmelt furnace ancillary facility has progressed smoothly. The Company has completed the construction of No. 2 refining furnace and put it into operation in early June, while the residual heat power plant has been connected to the power grid since 13 June, and the installation of furnace body and steel platform has been completed for the No. 4 converter furnace upgrading project. In addition, for the clean production demonstration project for copper processing with a production capacity of 300,000 tonnes, the civil construction of plant and the installation of electrolyzer have been completed, the installation of electrolyte circulation system has commenced, and the silicon rectifier, electrolyte plant, water circulation system and external pipeline network are under construction.

6. *STRUCTURAL MODIFICATION HAS BEEN ACCELERATED*

The civil construction of our production facility in the Precious Metals Industrial Park has been completed and the stage of overall equipment installation has commenced. The Company plans to conduct equipment testing and system commissioning in late August and in September respectively.

7. *SOLID PROGRESS HAS BEEN MADE IN MANAGEMENT IMPROVEMENT*

Firstly, we have implemented benchmarking management. We have set benchmarks for certain units and departments based on their actual situations, carried out benchmarking management activities and achieved satisfactory results. Secondly, we gradually strengthened the implementation of "5S" management and proactively promoted the "Three Standardizations" in order to establish standards. We conducted examination and coaching on the formulation of management process and work standards, which further perfected the process. Thirdly, we further strengthened comprehensive budget management. While striving to consolidate previous results achieved in budget management, the Company focused on strengthening the comprehensive budget management of working groups and further enhanced budget management. The centralized fund management platform commenced operation and the connections between the platform and major domestic commercial banks were realized. This enabled us to monitor the flows of monetary fund in the head office and each holding company in a timely manner, activate existing funds and further improve the efficiency of fund utilization.

8. *ACCELERATING THE DEVELOPMENT OF OUR IT SYSTEM AND EXERTING MORE EFFORT IN TECHNOLOGY INNOVATION*

We have completed some projects under our ERP system; realized normal operation of the quality planning system and started trial operation of the HR management system. We had also speeded up the construction of other systems such as the marketing system, international trading system and materials and capital management system. In respect of the construction of a digitalized mine in Fengshan Copper Mine, we have completed the construction of hardware facilities including the networks and the computer room. The software platform has passed trial operation and satisfied operational requirements.

We have made new achievements in science and technology development. Based on the key problems and difficulties met in the production process, we carried out scientific research and made a number of achievements in technological innovation, among which, the science paper "Study on New Regrinding Technologies for Flotation Middling Selective Grading and Their Applications" (《浮選中礦選擇性分級再磨新技術及應用研究》) was awarded "Third Prize of Hubei Province for Progress in Science and Technology", two scientific and technological achievements relating to standards for non-ferrous metal industry, namely, "Methods for Chemical Analysis of Blister Copper" (《粗銅化學分析方法》) and "Methods for Chemical Analysis of Copper Anode Mud" (《銅陽極泥化學分析方法》) won second prize for progress in science and technology in non-ferrous metal and have reached advanced international standard. We have also achieved new progress in patent application. In the first half of the year, we have been granted eight patents, of which one is an invention patent and seven are utility model patents.

II. Prospect

1. *OPERATING ENVIRONMENT*

From a macro view, both the international and domestic economic situations are highly complex. The European debts crisis lingers, which increases the investors' concern over the market. While, the growth of domestic economy continues to slow down. Nevertheless, the US economy shows a weak recovery and the effect of China's fine-tuning policies on its economy will appear late this year. In view of this, it is difficult to judge when the Chinese economy will reach a bottom and begin to recover.

According to the statistics published by the General Administration of Customs of the PRC, imported copper by China amounted to 346,200 tonnes in June, representing a decrease of 73,500 tonnes or 17.52% as compared with that in May, but up by 23.65% year-on-year. The total amount of copper imported by China during the first half of 2012 was 2,501,900 tonnes, up by 47% year-on-year on an accumulative basis.

China ranks the first in the world in terms of consumption of non-ferrous metals. In 2012, although the demand continued to increase on a year-on-year basis, the growth rate slowed down significantly. First of all, demand from end users for commodities such as vehicles, power generation equipments, washing machines, refrigerators, freezers and air-conditioners sustained steady growth in 2011, though a slowdown was reported. Secondly, the real estate sector is also one of the most important sources of demand for non-ferrous metals. As affected by the control measures, demand for non-ferrous metals from this sector also showed a decelerating trend in growth rate. It is expected that the year-on-year growth rate of floor space under construction in 2012 will decrease by 7 percentage points to 18% from 25% in the corresponding period of 2011, while the gross floor area of buildings under construction, which are newly commenced, is anticipated to experience a negative growth as compared with that in 2011. The prices of non-ferrous metals and chemical products have been on a downward trend since May, and it is expected that market sentiment will remain far from optimistic in the second half of the year. As a result, we may face difficulties such as declining demand, reduced market, lower prices and generally unchanged or lowered profitability for a relatively long period.

2. *OPERATING OBJECTIVES AND STRATEGIES*

The Company's production and operating objectives for 2012 are to produce 312,000 tonnes of copper cathodes, 8,000 kg of gold, 400 tonnes of silver, 873,000 tonnes of sulphuric acid, 223,000 tonnes of iron concentrate, 21,200 tonnes of mined copper, 117 tonnes of molybdenum concentrate, 15 kg of platinum, 225 kg of palladium, 500 kg of ammonium perrhenate (contained metal), 280 tonnes of nickelous sulfate (contained metal), 145 tonnes of selenium dioxide and 15 tonnes of tellurium. Please note that, as the prices of our major products are subject to significant volatility as affected by the international market and the sources of our raw materials and the ways of transactions are also subject to uncertainties, we will adjust the above production and operating objectives according to the market changes in due course.

To achieve the above operating objectives, the Company will devote our efforts into the following aspects in 2012.

Firstly, the Company will increase output of high yielding products by optimizing production process and expanding production capacity. A clean production demonstration project for copper processing with a production capacity of 300,000 tonnes will be completed and commence production on 1 October, thus further expanding the production capacity of the Company. The Company will focus on enhancing the efficiency of its key production systems and technical and economic indicators and endeavour to carry out mine production at full capacity, so as to ensure that the mined copper output will reach 21,200 tonnes or more.

Focusing on the optimization of Ausmelt furnace's production process and the arrangement for the inauguration of the clean production demonstration project for copper processing with a production capacity of 300,000 tonnes, the Company will streamline its metallurgical production process and fully capitalize on the optimal performance of its energy-conservation and emission-reduction projects.

Leveraging on the completion of a production facility in the Precious Metals Industrial Park, the arrangement for continuous production and the development of new products, the Company endeavoured to increase the types and volumes of precious metals, improve the overall utilization rate of mineral resources, optimize the production management process, improve various key economic and technical indicators and increase the output of high yielding products.

Secondly, the Company will continue to push forward with the construction of mineral resource exploitation projects. Mines are always the most important source of income for the Company as well as one of the key elements to improve the Company's core profitability. Currently, given that the Company is at the peak of mine construction, all of its key projects have entered a crucial stage. The Company shall further enhance the management level of mine construction by strengthening mine construction management, implementing overall planning and carefully organizing relevant activities. The deep mining project of Tongshankou Mine, the Xinjiang Ulugqat Sareke Copper Mine and the mining project of No. XI ore body in Tonglvshan Mine are scheduled to be completed and commence production from the end of 2013, a move to further expand our mine production capacity.

As for Tongshankou Mine, the follow-up work of its new tailings pond, which relates to the land acquisition and resettlement of the local residents, shall be addressed and handled properly. The construction of the controlling project of the new tailings dam is scheduled to commence this September to gain as much time as possible for the construction of the new tailings dam. As for the construction of Xinjiang Ulugqat Sareke Copper Mine, we shall strive to complete an excavation coverage of 2,170 meters and a prospecting footage of 16,000 meters, and submit the prospecting report and the reserve estimates of the north ore belt for filing. In addition, we shall step up the construction of the processing plant, the tailings pond and the water and power supply systems, and make rescheduling and take additional measures where necessary, so as to ensure the Sareke Copper Mine will be put into operation as planned. As for Yanxi Copper Mine in Hami, Xinjiang, we shall properly handle issues relating to project approvals, safety evaluation and environmental assessment as well as the exploration work in the new mining area, commence relevant preliminary design as soon as possible, re-stabilize the deposit and take samples for processing tests, with a view to prepare well for the imminent construction.

Thirdly, the Company will take full advantage of market opportunities, optimize marketing operations, streamline the market price information collection mechanism and expand its trade segment. By fully capitalizing on market opportunities and optimizing marketing operations, the Company will endeavour to ensure that the selling price of copper cathodes produced from our own copper concentrate will not be lower than the spot price quoted on the Shanghai Stock Exchange, the selling price of copper cathodes produced from our domestic buyout raw materials will not be lower than the purchase price, and that copper cathodes produced from imported raw materials will not make the Company incur any losses. Furthermore, the Company will introduce deep processing service for gold and silver products to increase total profits.

Fourthly, the Company will further streamline capital operation to improve its capital efficiency. The Company will strive to get access to diversified low-cost financing channels by raising capital in both domestic and overseas markets, and speed up the issuance of short-term financing bonds and overseas direct loans to regulate the capitalization of interest on general borrowings. In addition, the Company will, by improving its credit risk evaluation and control system, endeavour to realize and maximize returns from capital investment where relevant risk exposures are under control. Moreover, the Company will increase its efforts to collect receivables so as to reduce its provision for bad debts.

Fifthly, strengthen cost control, increase revenue and reduce expenditures. The Company must seize the favorable opportunity generated by the current raw material price declining trend, strictly control and squeeze non-production expenses and put more efforts in tendering and direct purchase to bring its actual purchase costs down below the average market rates. Meanwhile, the Company shall reduce funds appropriation by connected parties and optimize working capital management.

Sixthly, deepen internal reform and establish an institutional mechanism adaptable to international operation. The Company shall improve its control system to set up a standardised and efficient management system; optimize its performance assessment to establish a more effective remuneration system to provide incentive to the staff; standardize the norms of staff employment and reform its recruitment mechanism in good faith to further streamline and modify the organizational structure and staffing in the units where production has been suspended for a long time.

2012 is a year filled with opportunities and challenges for the Company. Confronted with changing global economic conditions and the difficulties brought by the weakening domestic demand, the Company will take proactive measures to ensure that its operation runs in a highly efficient and low-cost manner. The Company has grasped the favorable opportunity arising from the mergers and acquisitions in the first half of the year to expand its business and made great strides in development. The Company believes that with the joint efforts of its management, staff and the tremendous support from various sectors of society, the Company will maintain a sustainable and rapid development!

On behalf of the Board, I would like to express my greatest appreciation to the shareholders and friends from all circles of life for their long-standing care and support to the Company. I would also like to extend my gratitude to all directors and members of the management team for their contribution, and the entire staff for their hard work in the first half of the year!

Zhang Lin
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in mining and processing of mineral ores and selling/trading of metal products.

For the six months ended 30 June 2012, the Group recorded an audited revenue of approximately RMB14,722,695,000 (For the six months ended 30 June 2011 (restated): RMB13,672,158,000) and had an audited profit attributable to owners of the Company of approximately RMB80,309,000 whereas profit attributable to owners of the Company of approximately RMB93,521,000 was recorded for the six months ended 30 June 2011 (restated). As at 30 June 2012, the equity attributable to owners of the Company amounted to approximately RMB5,411,225,000 (As at 31 December 2011 (restated): RMB3,606,072,000).

As compared to the previous corresponding period, the Group's revenue for the six months ended 30 June 2012 increased slightly by approximately 7.68%.

In addition, the Group's net profit slightly decreased because of the decrease in gross profit margin and increase in finance cost.

Reverse takeover transaction

On 7 March 2012, a very substantial acquisition, connected transaction and reverse takeover involving a new listing application of the Company (the "Reverse Takeover Transaction") were completed. The details of which are set out in note 2 to the consolidated financial statements, the Company's circular dated 29 December 2011 and the Company's supplemental circular dated 17 February 2012.

Tong Xing Project

On 31 May 2012, the Company entered into the mining exploration agreement ("Exploration Agreement") with Alexis Resources Limited ("Vendor") in respect of the exploration of an area of approximately 0.4625 square kilometers which is situated in the east of the copper mine ("the Hami Mine") located about 115 km southwest of Hami, a city in the eastern part of the Xinjiang Uygur Autonomous Region, the PRC ("the New Mining Area"). Pursuant to the Exploration Agreement, the Vendor shall:

1. conduct exploration work with respect to the New Mining Area;

2. provide a report on the reserves of the New Mining Area in compliance with National Instrument 43-101 (The (Canadian) Standards of Disclosure for Mineral Projects) (the "Report") to the Company on or before 31 December 2012;

3. with the assistance of the Company, including 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited) ("Tong Xing"), obtain the mining license with respect to the New Mining Area by 30 June 2014 (or a later date as agreed between the Company and the Vendor); and

4. be responsible for the payment of all expenses relating to the exploration of the New Mining Area, preparation of the Report and the application of the mining license for the New Mining Area.

The Company is not required to pay any amount to the Vendor if the total amount of indicated copper resources for the New Mining Area reported in the Report is at or below 45,846 tonnes. However, if the amount of indicated copper resources for the New Mining Area reported in the Report exceeds 45,846 tonnes, the Company shall pay to the Vendor the amount of HK$2,081 per tonne in respect of those indicated copper resources exceeding 45,846 tonnes (rounded down to the nearest tonne) (the "Resources Purchase Price"), provided that the Resources Purchase Price shall be capped at the maximum of HK$95,000,000 and the Company shall not be liable to pay any additional consideration for any extra amount of indicated copper resources.

The Exploration Agreement was entered into to encourage the Vendor to strengthen its efforts in conducting the exploration work in respect of the New Mining Area with a view to increase the copper resources reserves of Tong Xing. Therefore, the Company believed that entering into the Exploration Agreement could potentially increase the Group's copper resources reserves and enhance the competitiveness of the Group in the future.

On 3 August 2012, the Company was informed by Tong Xing that the mining license of the Hami Mine has been granted to Tong Xing by the Department of Land and Resources of Xinjiang Uygur Autonomous Region for a period of two years from 4 May 2012 to 4 May 2014.

Details of the above were disclosed in the announcements of the Company dated 31 May 2012 and 7 August 2012.

Aleinuer Mine

On 18 May 2012, the Mongolian National Arbitration Center at the Mongolian National Chamber of Commerce and Industry (the "Mongolian Arbitration Center") issued a final written arbitral award after the re-hearing of the case, pursuant to which the Mongolian Arbitration Center ruled that the mining right to the molybdenum mine located in the Sukhbaatar Province, Mongolia (the "Aleinuer Mine") had to be returned by Reservoir Moly Mongolia LLC, a subsidiary of the Company, to Nomin Deposit LLC ("Mongolian JV Partner"). No further appeal is possible under Mongolian law with respect to this decision of the Mongolian Arbitration Center.

The Aleinuer Mine has not yet commenced any commercial production, and the Company has not yet derived any revenue or profit from the Aleinuer Mine. In addition, in light of the possibility that the mining right to the Aleinuer Mine would be required to be returned by the Group to the Mongolian JV Partner, full impairment for such mining right in the amount of HK$723.8 million has previously been made in the consolidated income statement of the Group for the year ended 31 December 2011, as disclosed in the Company's annual report for the year ended 31 December 2011 and the annual results announcement of the Company dated 30 March 2012. Therefore, the arbitral award given by the Mongolian Arbitration Center on 18 May 2012 would not have a further material adverse effect on the financial results of the Group going forward.

Future Prospects

大冶有色金屬有限責任公司 (Daye Nonferrous Metals Co., Limited) ("Daye Nonferrous") and its subsidiaries and branches (hereafter collectively "Daye Metal Group"), an integrated enterprise operating in ore mining and smelting businesses, joined the Group as a result of the Reverse Takeover Transaction and therefore enabled the Group to generate stable revenue. Currently, Daye Metal Group is in its progress of revamping the production facilities of its mines, aiming to further increase the production capacity of its mines and profitability in the near future. Through identifying suitable opportunities to acquire new mines and continuing exploration of new mineral resources and reserves at the mines currently operated by the Daye Metal Group and the Group, the Group will continue to expand its portfolio of mining assets, upgrade its production facilities, build on its research and development capabilities, improve its production technology and diversify its product portfolio by expanding its mining business. By centralizing the management of the Daye Metal Group and the Group, it is expected that the Group will benefit from its improvement in operational efficiency. The Directors believe that the Group will be able to enhance its core competitiveness, strengthen and enlarge its upstream production of copper ores and increase its sales of products, so as to optimise the value and return to the shareholders of the Company.

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, and 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 conducive to its development in order to build a portfolio of strong mining businesses with an emphasis on high value-added products.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2012, the Group had cash and bank balances of approximately RMB707,365,000, with a current ratio of 1.01, based on the current assets of approximately RMB6,521,569,000 and current liabilities of approximately RMB6,459,819,000. The Group's gearing ratio was 111.1% based on the net debts (which includes bank and other borrowings, convertible notes and cumulative redeemable preference shares) of approximately RMB6,013,126,000 and equity attributable to owners of the Company of approximately RMB5,411,225,000.

As at 30 June 2012, the Group had bank and other borrowings of approximately RMB4,682,745,000 and RMB2,006,161,000 which will be due within one year and after one year respectively. The Group had pledged its bank deposits of RMB519,066,000 to the banks for securing bank loans and facilities granted to the Group.

The Group believes that liquid assets, funds and future revenue will be sufficient to finance the future expansion and working capital requirements of the Group.

Employees, Remuneration Policy and Share Option Scheme

As at 30 June 2012, the Group had a total of 10,675 employees (including Hong Kong and PRC offices). The remuneration packages consist of basic salary, retirement benefits scheme contributions, medical insurance and other benefits considered as appropriate. Remuneration packages are generally structured with reference to market terms, individual qualification and performance of the employee. They are periodically reviewed 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 incentives or rewards for their contribution to the Group.

Foreign Exchange Exposure

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

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$ and Euro.

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

Material acquisition and disposal of subsidiaries and associated companies

Save as disclosed in the section headed "Reverse takeover transaction" above, the Group had not made any material acquisition or disposal of subsidiaries and associated companies during the six months period ended 30 June 2012.

Contingent liabilities

As at 30 June 2012, the Group had no contingent liabilities.

Charges on assets

As at 30 June 2012, secured bank borrowings of the Group amounting to RMB421,924,000 (31 December 2011 (restated): RMB875,272,000) were secured by bank deposits of RMB519,066,000 (31 December 2011 (restated): RMB450,973,000).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: Nil).

During the period, the Company accrued dividends of approximately RMB2,000 (Six months ended 30 June 2011: RMB2,000) on its 16,485 cumulative redeemable preference shares.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SECURITIES

As at 30 June 2012, 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 and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

(i) Long positions in shares of the Company

Name of director	Capacity	Nature of interests	Number of shares	Approximate percentage to the total relevant class of shares in issue as at 30 June 2012
Wang Qihong	Beneficial owner	Personal interest	1,594,000 shares	0.01%
Wang Guoqi	Beneficial owner	Personal interest	600,000 shares	0.01%

(ii) Long positions in underlying shares of the Company

Name of director	Capacity	Nature of interests	Number of underlying shares *(Note)*	Approximate percentage to the total relevant class of shares in issue as at 30 June 2012
Wan Bi Qi	Beneficial owner	Personal interest	50,000,000 shares	0.29%

Note: All of such underlying shares represent the number of shares of the Company which may be issued upon exercise of the subscription rights attaching to the options held by the relevant director.

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

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 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 six months ended 30 June 2012:

	No. of options outstanding at 31 December 2011	No. of options lapsed/ cancelled/ forfeited during the year	No. of options granted during the year	No. of options outstanding at 30 June 2012
Director				
– Wan Bi Qi	50,000,000	–	–	**50,000,000**
Employees and others	257,700,000	–	–	**257,700,000**
Total	307,700,000	–	–	**307,700,000**

Details of share options granted are 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 six months ended 30 June 2012 was the Company, its holding company, or any of 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' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2012, 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/underlying shares of the Company

Name of Shareholder	Capacity	Number of shares	Approximate percentage of total relevant class of shares in issue as at 30 June 2012
China Times Development Limited	Beneficial owner	13,970,671,176 shares	80.63% *(Note 3)*
Daye Nonferrous Metals Corporation Holdings Limited *(Note 1)*	Interest in a controlled corporation	13,970,671,176 shares	80.63% *(Note 3)*
China Cinda (HK) Asset Management Co., Limited	Beneficial owner	936,953,542 shares	5.41% *(Note 3)*
China Cinda Asset Management Co., Limited *(Note 2)*	Interest in a controlled corporation	936,953,542 shares	5.41% *(Note 3)*
China Times Development Limited	Beneficial owner	5,495 CPS	33.33% *(Note 4)*
Daye Nonferrous Metals Corporation Holdings Limited *(Note 1)*	Interest in a controlled corporation	5,495 CPS	33.33% *(Note 4)*

Notes:

1. These shares were held by China Times Development Limited, the entire issued capital of which were beneficially owned by Daye Nonferrous Metals Corporation Holdings Limited.

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. The percentage is calculated based on 17,327,911,186 shares of the Company in issue.

4. The percentage is calculated based on 16,485 convertible cumulative redeemable preference shares ("CPS") in issue.

Save as disclosed above, as at 30 June 2012, 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.

CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions entered into by the Group during the period under review are set out in Note 44 to the consolidated financial statements. The Company has complied with the disclosure requirements governing the continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in above paragraphs, 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 2012 or during the six months ended 30 June 2012.

EQUITY

As at 30 June 2012, the total number of issued and fully paid ordinary shares of the Company was 17,327,911,186, amounting to a total issued share capital of approximately HK$866,396,000; and there were 16,485 CPS of HK$1 each in issue at 30 June 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Group's equity and debt 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 six months ended 30 June 2012.

AUDIT COMMITTEE

The Company established an audit committee in accordance with the requirements of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("CG Code"), for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive Directors, namely Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Qiu Guanzhou. The audit committee of the Company has reviewed the interim report for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

The Company has established its remuneration committee ("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 Guanzhou. The remuneration committee held one meeting during the six months ended 30 June 2012.

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 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 during the six months ended 30 June 2012.

CODE ON CORPORATE GOVERNANCE

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

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not throughout the six months ended 30 June 2012, in compliance with the principles and code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the CG Code (effective from 1 April 2012) (except code A.4.1 – which specifies that non-executive Directors should be appointed for a specific term, subject to re-election and code A.4.2 – 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 Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practice in respect of the above matters are no less exacting than those in the CG Code.

By Order of the Board of
CHINA DAYE NON-FERROUS METALS MINING LIMITED
Zhang Lin
Chairman

Hong Kong, 27 August 2012

INDEPENDENT AUDITOR'S REPORT

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

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 23 to 116, which comprise the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period ended 30 June 2012, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's state of affairs as at 30 June 2012, and of its profit and cash flows for the six-month period then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 August 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June	
		2012	2011
	Notes	**RMB'000**	RMB'000
			(restated)
			(Note 2)
Revenue	*6, 7*	**14,722,695**	13,672,158
Cost of sales/services		**(14,309,485)**	(13,132,953)
Gross profit		**413,210**	539,205
Other income	*8*	**44,147**	24,851
Selling expenses		**(22,182)**	(20,005)
Administrative expenses		**(162,009)**	(168,610)
Other operating expenses		**(16,218)**	(11,691)
Other gains/(losses), net	*9*	**3,841**	(117,922)
Finance costs	*10*	**(170,446)**	(108,560)
Profit before tax		**90,343**	137,268
Income tax expense	*11*	**(6,531)**	(14,575)
Profit for the period	*12*	**83,812**	122,693
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**1,160**	–
Total comprehensive income for the period		**84,972**	122,693

		Six months ended 30 June	
		2012	2011
	Notes	**RMB'000**	RMB'000
			(restated)
			(Note 2)
Profit for the period attributable to:			
Owners of the Company		**80,309**	93,521
Non-controlling interests		**3,503**	29,172
		83,812	122,693
Total comprehensive income for the period attributable to:			
Owners of the Company		**81,469**	93,521
Non-controlling interests		**3,503**	29,172
		84,972	122,693
Earnings per share	*15*		
– Basic		**RMB0.52 fen**	RMB0.95 fen
– Diluted		**RMB0.49 fen**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000 (restated) *(Note 2)*	At 1 January 2011 RMB'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*16*	**4,710,738**	4,150,573	3,030,283
Exploration and evaluation assets	*17*	**65,750**	63,091	58,469
Prepaid lease payments	*18*	**752,499**	761,269	729,230
Intangible assets	*19*	**927,724**	565,023	588,937
Goodwill	*20*	**1,961,656**	–	–
Restricted bank deposits	*27*	**5,948**	124,553	–
Deferred tax assets	*21*	**111,440**	120,052	80,617
Deposit for acquisition	*22*	**138,584**	–	–
Prepayments and others	*25*	**123,758**	55,488	169,034
		8,798,097	5,840,049	4,656,570
CURRENT ASSETS				
Prepaid lease payments	*18*	**20,358**	20,322	20,230
Inventories	*23*	**4,410,918**	3,831,801	4,264,095
Trade and bills receivables	*24*	**383,767**	657,132	549,160
Prepayments and other receivables	*25*	**279,234**	144,246	372,744
Derivative financial instruments	*26*	**8,712**	925	–
Restricted deposits and bank balances	*27*	**711,215**	537,166	925,012
Bank deposits, bank balances and cash	*27*	**707,365**	691,023	689,412
		6,521,569	5,882,615	6,820,653
CURRENT LIABILITIES				
Trade payables	*28*	**1,005,277**	1,309,683	1,270,071
Other payables and accrued expenses	*29*	**709,991**	784,743	486,533
Current income tax liabilities		**–**	9,170	–
Derivative financial instruments	*26*	**7,489**	14,479	137,952
Bank and other borrowings – due within one year	*30*	**4,682,745**	3,705,157	4,813,781
Provisions	*31*	**34,983**	22,586	14,815
Cumulative redeemable preference shares	*32*	**904**	–	–
Early retirement obligation	*35*	**18,430**	18,430	11,550
		6,459,819	5,864,248	6,734,702

	Notes	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated) *(Note 2)*	At 1 January 2011 RMB'000 (restated)
NET CURRENT ASSETS		**61,750**	18,367	85,951
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,859,847**	5,858,416	4,742,521
CAPITAL AND RESERVES				
Issued equity	*36*	**705,506**	–	–
Share premium and reserves		**4,705,719**	3,606,072	2,224,680
Equity attributable to owners of the Company		**5,411,225**	3,606,072	2,224,680
Non-controlling interests		**340,330**	176,111	1,376,048
TOTAL EQUITY		**5,751,555**	3,782,183	3,600,728
NON-CURRENT LIABILITIES				
Convertible notes	*33*	**579,527**	–	–
Bank and other borrowings – due after one year	*30*	**2,006,161**	1,696,503	857,638
Deferred income	*34*	**132,227**	112,967	64,037
Provisions	*31*	**192,969**	207,174	194,632
Early retirement obligation	*35*	**50,461**	59,589	25,486
Deferred tax liabilities	*21*	**146,947**	–	–
		3,108,292	2,076,233	1,141,793
		8,859,847	5,858,416	4,742,521

The consolidated financial statements on pages 23 to 116 were approved and authorised for issue by the Board of Directors on 27 August 2012 and are signed on its behalf by:

Zhang Lin
DIRECTOR

Long Zhong Sheng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Attributable to owners of the Company											
	Issued equity											
	Ordinary share capital RMB'000 *(Note 36)*	Other reserve RMB'000	Share premium RMB'000	Share option reserve RMB'000	Convertible notes equity reserve RMB'000 *(Note 33(b))*	Capital reserve RMB'000 *(Note (i))*	PRC statutory reserve RMB'000 *(Note (ii))*	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011 (restated)	227,646	(227,646)	–	–	–	2,111,426	24,644	–	88,610	2,224,680	1,376,048	3,600,728
Profit and total comprehensive income for the period (restated)	–	–	–	–	–	–	–	–	93,521	93,521	29,172	122,693
Acquisition of non-controlling interests (restated)	–	–	–	–	–	1,231,773	–	–	–	1,231,773	(1,231,773)	–
Others (restated)	–	–	–	–	–	2,647	–	–	–	2,647	127	2,774
At 30 June 2011 (restated)	227,646	(227,646)	–	–	–	3,345,846	24,644	–	182,131	3,552,621	173,574	3,726,195
At 1 January 2012	**227,646**	**(227,646)**	**–**	**–**	**–**	**3,343,543**	**56,078**	**–**	**206,451**	**3,606,072**	**176,111**	**3,782,183**
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	10,500	10,500
Arising from the Reverse Takeover Transaction (as defined in note 2)												
– deemed consideration *(note 38(a))*	477,860	1,781,949	–	–	–	–	–	–	–	2,259,809	–	2,259,809
– recognition of share premium reserve and share option reserve arising from the Reverse Takeover Transaction	–	–	4,157,385	51,648	–	(4,209,033)	–	–	–	–	–	–
– recognition of share premium reserve immediately before completion of the Reverse Takeover Transaction	–	–	2,374,573	–	–	(2,374,573)	–	–	–	–	–	–
– recognition of non-controlling interests *(note 38(a))*	–	–	–	–	–	–	–	–	–	–	150,216	150,216
– issue of HK$1,003,836,048 zero coupon convertible note, net of income tax *(note 33(b))*	–	–	–	–	281,298	(817,423)	–	–	–	(536,125)	–	(536,125)
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	1,160	80,309	81,469	3,503	84,972
At 30 June 2012	**705,506**	**1,554,303**	**6,531,958**	**51,648**	**281,298**	**(4,057,486)**	**56,078**	**1,160**	**286,760**	**5,411,225**	**340,330**	**5,751,555**

Notes:

(i) The balance of capital reserve mainly comprises capital contribution to Prosper Well Group Limited and the reserves arising from Reverse Takeover Transaction.

(ii) Pursuant to the relevant laws in the Peoples' Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer 10% of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve fund (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses, expand the existing operations or 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Note	Six months ended 30 June **2012** **RMB'000**	 2011 RMB'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**90,343**	137,268
Adjustments for:			
Interest income		**(15,897)**	(8,444)
Net exchange (gains)/losses		**251**	(37,744)
Finance costs		**170,446**	108,560
Depreciation and amortisation		**189,330**	162,293
Loss on disposal of property, plant and equipment, net		**–**	545
Allowance for impairment of trade receivables		**122**	212
Allowance for impairment of other receivables		**5,953**	2,366
Provision for early retirement and employees medical obligation		**990**	5,762
Unrealised (gains)/losses from gold loans		**(958)**	2,852
Unrealised (gains)/losses from commodity derivative contracts		**5,748**	(4,190)
Unrealised gains from currency forward contracts		**(4,829)**	–
Fair value (gains)/losses of inventories hedged by commodity futures contracts		**2,024**	(544)
Fair value (gains)/losses of commodity futures contracts designated as hedges		**(2,142)**	642
Gain on derivative component on convertible notes		**(2,778)**	–
Effect of maturity date extension of convertible notes		**(4,973)**	–
Amortisation of deferred income		**(2,080)**	(1,822)

		Six months ended 30 June	
		2012	2011
	Note	**RMB'000**	RMB'000
			(restated)
Operating cash flows before movements in working capital		**431,550**	367,756
(Increase)/decrease in inventories		**(594,695)**	707,576
Decrease in trade and bills receivables		**273,243**	109,513
(Increase)/decrease in prepayments and other receivables		**(93,157)**	103,769
Decrease in trade payables		**(304,406)**	(411,914)
(Decrease)/increase in other payables and accrued expenses		**(64,844)**	224,775
Benefits paid for early retirement and employees medical obligation		**(17,662)**	(20,094)
(Increase)/decrease in other deposits		**(94,333)**	218,121
Cash (used in)/generated from operations		**(464,304)**	1,299,502
Income taxes paid		**(21,342)**	(879)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(485,646)**	1,298,623
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(760,449)**	(419,288)
Expenditure on exploration and evaluation assets		**(2,659)**	(4,129)
Purchase of intangible assets		**(898)**	–
Prepaid lease payments		**–**	(34,472)
Net cash inflow arising from the Reverse Takeover Transaction	*38(a)*	**57,799**	–
Proceeds from disposal of property, plant and equipment		**555**	1,290
Receipts of government grants		**21,181**	27,240
Decrease/(increase) in non-restricted bank deposits with original maturity of more than three months when acquired		**362,659**	(166,578)
Decrease/(increase) in restricted bank deposits and bank balances		**38,889**	(459,125)
Interest received		**15,897**	8,444
NET CASH USED IN INVESTING ACTIVITIES		**(267,026)**	(1,046,618)

	Note	Six months ended 30 June 2012 RMB'000	2011 RMB'000 (restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new borrowings		**5,558,255**	3,371,928
Repayment of borrowings		**(5,065,724)**	(3,361,579)
Advance from Daye Corporation		**2,112,655**	987,899
Repayment to Daye Corporation		**(1,316,982)**	(729,254)
Capital contribution from a non-controlling interest		**10,500**	–
Finance costs paid		**(168,191)**	(124,553)
NET CASH FROM FINANCING ACTIVITIES		**1,130,513**	144,441
NET INCREASE IN CASH AND CASH EQUIVALENTS		**377,841**	396,446
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**328,364**	304,049
Effect of foreign exchange rate changes		**1,160**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**707,365**	700,495
REPRESENTED BY:			
Non-restricted bank deposits with original maturity of less than three months when acquired		**187,961**	65,300
Bank balances and cash		**519,404**	635,195
		707,365	700,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 "Stock Exchange"). The address of the registered office and principal place of business of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Unit 2001, World Wide House, 19 Des Voeux Road Central, Hong Kong, respectively. The principal activity of the Company is investment holding. The Company's subsidiaries are principally involved in mining and processing of mineral ores and selling/trading of metal products. In the opinion of the directors of the Company, as at 30 June 2012, the ultimate holding company is Daye Non-Ferrous Metals Corporation Holdings Limited ("Daye Corporation"), a company incorporated with limited liability under the laws of the PRC and is controlled and 51% owned by the State-owned Assets Supervision and Administration Commission of Hubei Provincial People's Government, the PRC.

Upon the completion of the Reverse Takeover Transaction (as defined hereinunder), the Group changed the presentation currency of its consolidated financial statements from Hong Kong Dollar ("HK$") to Renminbi ("RMB") because, in the opinion of the directors of the Company, this could better reflect the Group's business (majority of which is located in the PRC) since then and could provide users with more comparable information with other companies in the similar industry. Comparative figures have been represented in RMB.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

On 7 March 2012, a very substantial acquisition, connected transaction and reverse takeover involving a new listing application were completed. The Group acquired the entire issued share capital of Prosper Well Group Limited ("Prosper Well", a company incorporated in British Virgin Islands ("BVI") with limited liability) from China Times Development Limited ("China Times"), and China Cinda (HK) Asset Management Co., Limited ("Cinda HK") by the allotment and issue of 10,799,762,092 and 936,953,542 ordinary shares of the Company with nominal value of HK$0.05 each (collectively referred to as the "Consideration Shares") to China Times and Cinda HK, respectively, as well as the issue of HK$1,003,836,048 zero coupon convertible note to China Times. Prosper Well is an investment holding company which is owned as to 93.18% by China Times (a company wholly-owned by Daye Corporation) and 6.82% by Cinda HK (an independent third party), respectively, immediately before the completion of the reverse takeover transaction (the "Reverse Takeover Transaction"). Prosper Well and its subsidiaries (the "Prosper Well Group") are principally engaged in the mining and processing of mineral ores and trading of metal concentrate in the PRC. The details of the above transaction are set out in the Company's circular dated 29 December 2011 and the Company's supplemental circular dated 17 February 2012.

The Reverse Takeover Transaction

The Reverse Takeover Transaction has been accounted for as a reverse acquisition under Hong Kong Financial Reporting Standard 3 (Revised 2008) "Business Combinations" ("HKFRS 3 (Revised 2008)") because the issuance of the Consideration Shares and the convertible note in exchange of the entire shareholding in Prosper Well resulted in China Times, previously holding 20.8% shareholding in the Company, becoming the controlling shareholder of the Company holding 69.04% equity interest upon completion of the Reverse Takeover Transaction. For accounting purpose, the Company (together with its subsidiaries before the completion of the Reverse Takeover Transaction, collectively referred as the "Existing Group") is deemed to have been acquired by Prosper Well which is deemed as the accounting acquirer. These consolidated financial statements have been prepared as a continuation of the consolidated financial statements of the Prosper Well Group and accordingly:

(i) The assets and liabilities of the Prosper Well Group are recognised and measured at their carrying amounts;

(ii) The identified assets and liabilities of the Existing Group are recognised and measured initially at their fair value in accordance with the HKFRS 3 (Revised 2008); and

(iii) The comparative information presented in these consolidated financial statements is restated to be that of the Prosper Well Group.

In preparing these consolidated financial statements, the Prosper Well Group has applied the acquisition method to account for the acquisition of the Existing Group. In applying the acquisition method, the consideration deemed to be given by Prosper Well was HK$2,775,156,000 (equivalent to approximately RMB2,259,809,000), which is the sum of (i) the deemed consideration of HK$2,711,730,000 (equivalent to approximately RMB2,208,161,000) (calculated based on the market price of HK$0.485 each of the Company's 5,591,195,552 ordinary shares in issue on 7 March 2012 immediately before the completion of the Reverse Takeover Transaction); and (ii) the fair value of Company's share options outstanding on 7 March 2012 immediately before the completion of the Reverse Takeover Transaction classified as equity of HK$63,426,000 (equivalent to approximately RMB51,648,000) (collectively referred to as the "Deemed Consideration"). The separately identifiable assets and liabilities of the Existing Group were recorded in the consolidated statement of financial position at their fair value upon the completion date of the Reverse Takeover Transaction. Goodwill arising on the acquisition of the Existing Group of approximately RMB1,961,656,000, being the excess of the Deemed Consideration over the identifiable assets and liabilities of the Existing Group upon the completion date of the Reverse Takeover Transaction, was recorded. The results of the Existing Group have been consolidated to the Company's consolidated financial statements since the completion date of the Reverse Takeover Transaction. Further details of the Reverse Takeover Transaction are set out in note 38(a) to the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are mandatorily effective for the annual period beginning on 1 January 2012.

– amendments to HKFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets"; and

– amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

Except for the disclosure requirements set out in the amendments to HKFRS 7, the adoption of the above amendments to HKFRSs has had no material impact on the Group's financial performance and position for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets"

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

As at 30 June 2012, the Group has discounted bills receivable amounted to RMB26,800,000 (31 December 2011 (restated): RMB12,000,000) and notes receivable amounted to RMB60,000,000 (31 December 2011 (restated): RMB60,000,000) to banks on a with recourse basis and endorsed bills receivable amounted to RMB112,393,000 (31 December 2011 (restated): RMB383,948,000) to suppliers in exchange for goods and services. The Group continues to recognise the bills receivables and notes receivable and the corresponding borrowings and trade payables because the transfers do not satisfy the derecognition criteria set out in HKAS 39 "Financial Instruments: Recognition and Measurement".

Relevant disclosures are set out in note 41.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK (IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2015
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2014

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013 and that the application of the HKFRS 13 may result in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total consolidated comprehensive income and expense of a subsidiary 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) is stated in the consolidated statement of financial position at historical costs less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical costs includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of mining infrastructure is calculated using the units-of-production method based on the estimated proven and probable mineral reserves unless their useful life is less than that of the mine.

All other items of mining related property are depreciated over the shorter of the asset's useful life of 5 to 20 years or the life of mine on a straight-line basis.

Depreciation for other property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

Due to new technology employed by the Group in the second half of 2011, the directors of the Company decided to gradually phase out certain plant and machinery for processing copper concentrate and production of sulphuric acid with total carrying amount of RMB89,585,000 as at 1 July 2011 and accelerated their depreciation in full in the second half of 2011 that resulted in an increase in depreciation charges during the six months ended 31 December 2011.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the consolidated statement of comprehensive income.

Construction in progress, which represents assets under construction, is stated at cost less accumulated impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

Exploration and evaluation expenditures

The Group capitalises only expenditures directly attributable to exploration and evaluation activities, including acquisition of exploration or mining 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; and

- the costs incurred are expected to be recouped through successful development and exploitation of the area of interest.

Details of these capitalised expenditures are set out in note 17.

All other exploration and evaluation expenditures are charged to profit or loss as incurred.

These capitalised expenditures are stated at costs less accumulated impairment losses, if any and are presented within non-current assets as "exploration and evaluation assets" on the consolidated statement of financial position.

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 either "Intangible assets" for the exploration and mining rights or "Property, plant and equipment", as appropriate. 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 performed if any of the following indicators are present:

- the period for which the entity 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 entity 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.

For the purposes of assessing impairment, the capitalised exploration and evaluation expenditures subject to testing are grouped with other operating assets located in the same geographical region as one cash generating unit.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, if any. Amortisation for mining rights is provided on a straight-line basis over their respective licence periods of 3 to 23 years. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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 costs). Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, if any. Amortisation for mining rights is provided on a straight-line basis over their respective licence periods. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 years.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 as income immediately.

Leasing

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

The Group as lessee

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

Leasehold land and buildings

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

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

Provisions

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

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

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

Mine rehabilitation, restoration and dismantling

An obligation to incur rehabilitation, restoration and dismantling costs arises when environmental disturbance is caused by the development or ongoing production of a mine or production facilities. These costs, as 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 rehabilitation, restoration and dismantling of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and capitalised in the cost of inventory as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

Research costs

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and 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 fair value through profit or loss" (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.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

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 future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 40.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when 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 investment have been affected.

For financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade, bills and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amounts of trade, bills and other receivables are reduced through the use of an allowance account. When a trade, bills or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in 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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities 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 group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise derivative that is not designated and effective as a hedging instrument and cumulative redeemable preference shares.

Financial liabilities 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 incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 40.

Other financial liabilities

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

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 other than financial liabilities classified as at FVTPL.

Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds or fair value of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

If the conversion option of convertible notes will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the ordinary shares of the Company and exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible notes is measured at fair value.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method. Transaction costs relating to the derivative component is recognised immediately in profit and loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting

The Group designates certain derivatives as hedges of the fair value of recognised assets (fair value hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 40. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging commodity price risk on inventories. When an inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the inventory attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, when the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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 statements 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.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control, joint control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and joint control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Gold loans

The gold loans are measured at the fair value of gold bullion borrowed.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Cost of inventories also includes gains and losses on qualifying fair value hedge in respect of inventories designated as hedged items. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the ordinary course of business. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

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

(b) Rendering of services

The Group provided copper processing services. Service income is recognised when services are provided.

(c) Interest income

Interest income is recognised using the effective interest method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Employees benefits

Pension obligation

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

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

Early retirement obligation

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 when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. 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.

Share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the counterparties render services, unless the services qualify for recognition as assets.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company 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 ongoing 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 for the next twelve months.

(a) Impairment of non-financial assets other than goodwill

Non-current assets, including property, plant and equipment, prepaid lease payments, mining rights and other intangible assets, are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses, and exploration and evaluation assets that are stated at cost less impairment loss, if any. These carrying amounts are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(b) Exploration and related expenses

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgements in determining whether it is likely that future economic benefits will arise, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalised, facts and circumstances change and new information becomes available suggesting that the recoverable amounts of capitalised expenditures are less than its carrying amounts, the amount capitalised is written off in profit and loss in the period when the new information becomes available. The carrying amount of exploration and evaluation assets at end of reporting period was detailed in note 17.

(c) Income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognised are based on management's assessment of the likely outcome. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the accounting period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

(d) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements 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. The carrying amount of mining infrastructure and the related depreciation was detailed in note 16.

(e) Mine rehabilitation, restoration and dismantling obligations

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

These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

(f) Early retirement obligation

The Group establishes liabilities in connection with benefits paid to certain early retired employees. The amounts of employee benefit expenses and liabilities are determined using actuarial valuations, which are calculated by independent valuation professionals who conduct assessment of the actuarial position of the Group's retirement plans. These actuarial valuations involve making assumptions on discount rates, benefit inflation rates, and other factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Actual results that differ from the assumptions are recognised immediately and therefore, affect recognised expenses in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the expenses related to the early retirement obligation.

(g) Employees medical obligations

Provision is made for the anticipated costs of compensation paid to those employees injured at work or suffered occupational disease and do not cover by the external insurance plan as required by the relevant rules and regulation in the PRC.

These future cost estimates including reimbursement of medical expenses and other compensation as required by the relevant rules and regulation are discounted to their present value. The calculation of these provision estimates requires assumptions including future medical cost estimates, application of relevant rules and regulation in respect of the amount of compensation, discount rates and the mutual confirmation with the Huangshi Labour and Social Security Bureau on the transfer of the obligation to social security system of Huangshi City, including the timing and the settlement principle, more details have been disclosed in note 31(b). Because of the significant uncertainties involved in view of the absence of formal transfer agreement, this estimate is subject to a high degree of measurement uncertainty. A change in any of the assumptions used may have a material impact on the carrying amount of the employee medical obligations provisions.

6. REVENUE

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

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Revenue from sale of goods	**14,691,325**	13,632,071
Revenue from the rendering of services	**31,370**	40,087
	14,722,695	13,672,158

7. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

As the Existing Group are mainly involved in exploration of mineral resources and are integrated into those of the Prosper Well Group upon the completion of the Reverse Takeover Transaction, the Group has one reportable operating segment, being production and sale of copper and other related products. No operating segment information is presented other than entity-wide disclosures. The executive directors of the Company reviewed the consolidated financial statements of the Group prepared in accordance with HKFRSs as a whole.

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Sales of goods		
– copper cathodes	**9,633,243**	10,444,758
– other copper products	**318,624**	400,597
– gold and other gold products	**3,388,631**	1,443,066
– silver and other silver products	**1,060,951**	984,515
– sulphuric and sulphuric concentrate	**114,746**	114,129
– iron ores	**120,103**	151,340
– others	**55,027**	93,666
	14,691,325	13,632,071
Rendering of services		
– copper processing	**28,614**	37,451
– others	**2,756**	2,636
	31,370	40,087
Total revenue	**14,722,695**	13,672,158

Geographical information

The Group operates in three principal geographical areas – the PRC, Hong Kong and The Republic of Mongolia ("Mongolia").

The Group's revenue from external customers by location of operations and information about its non-current assets (excluding deferred tax assets and restricted bank deposits) by location of assets are detailed below:

	Revenue from external customers Six months ended 30 June		Non-current assets		
	2012	2011	**At 30 June 2012**	At 31 December 2011	At 1 January 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000 (restated)	RMB'000 (restated)
PRC	**14,703,035**	13,614,927	**8,676,535**	5,595,444	4,575,953
Hong Kong	**19,660**	57,231	**1,364**	–	–
Mongolia	**–**	–	**2,810**	–	–
	14,722,695	13,672,158	**8,680,709**	5,595,444	4,575,953

Information about major customers

Details of customers who accounted for 10% or more of total consolidated revenue are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000 (restated)
Percentage to consolidated revenue		
– Customer A	**22.7%**	10.3%

8. OTHER INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000 (restated)
Interest income on bank deposits	**15,897**	8,444
Value-added tax refund	**–**	4,045
Government grants received *(Note)*	**25,835**	9,842
Deferred income recognised *(Note 34)*	**2,080**	1,822
Others	**335**	698
	44,147	24,851

Note: The government grants mainly represented subsidies for imported copper ores and refunds of river mention maintenance fees.

9. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Losses on disposal of property, plant and equipment, net	**–**	(545)
Fair value changes (transactions not qualified as fair value hedges):		
Realised gains/(losses) from:		
– Commodity derivatives contracts	**10,781**	(150,286)
– Currency forward contracts	**4,774**	–
– Gold loans designated as financial liabilities at fair value through profit or loss	**(12,552)**	–
Unrealised gains/(losses) from:		
– Commodity derivative contracts	**(5,748)**	4,190
– Currency forward contracts	**4,829**	–
– Gold loans designated as financial liabilities at fair value through profit or loss	**958**	(2,852)
Transactions qualified as fair value hedges:		
– Inventory hedged by commodity futures contracts	**(2,024)**	544
– Fair value gains/(losses) of commodity futures contracts designated as hedging instrument	**2,142**	(642)
Gain on derivative component on convertible notes *(Note 33(a))*	**2,778**	–
Effect of maturity date extension of convertible notes *(Note 33(a))*	**4,973**	–
Exchange gains/(losses), net	**(251)**	37,744
Allowance for impairment of:		
– trade receivables *(Note 24)*	**(122)**	(212)
– other receivables *(Note 25)*	**(5,953)**	(2,366)
Others	**(744)**	(3,497)
	3,841	(117,922)

10. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Interest on bank and other borrowings:		
– wholly repayable within five years	**(110,686)**	(105,587)
– wholly repayable beyond five years	**(2,572)**	(2,334)
– Interest on loans from Daye Corporation	**(48,598)**	(21,937)
Interest expenses on convertible notes *(Note 33 (a) and (b))*	**(19,707)**	–
Unwind interest of provisions	**(4,706)**	(4,450)
Unwind interest of early retirement obligation	**(1,030)**	(767)
Total borrowing costs	**(187,299)**	(135,075)
Less: Borrowing costs capitalised in construction in progress	**16,853**	26,515
	(170,446)	(108,560)
The weighted average capitalisation rate on funds borrowed, generally (per annum)	**3.95%**	3.19%

11. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
PRC Enterprise Income Tax	**(612)**	(7,126)
Deferred income tax *(Note 21)*	**(5,919)**	(7,449)
	(6,531)	(14,575)

No provision for Hong Kong profits tax has been made as the Group has no assessable profit generated in Hong Kong for both periods. 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 periods.

Income tax expense for the period can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Profit before tax	**90,343**	137,268
Tax at applicable income tax rate of 25%	**(22,586)**	(34,317)
Effect of tax concession	**287**	2,319
Income not subject to tax *(Note)*	**20,584**	18,744
Expenses not deductible for tax purposes	**(1,607)**	(1,321)
Tax losses not recognised	**(1,824)**	–
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**(1,385)**	–
Income tax expense for the period	**(6,531)**	(14,575)
Effective tax rate	**7.2%**	10.6%

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

12. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Depreciation of property, plant and equipment	**165,003**	138,176
Amortisation of intangible assets (included in administrative expanses)	**14,197**	14,443
Amortisation of prepaid lease payments	**10,130**	9,674
Auditor's remuneration	**1,300**	539
Staff costs:		
Salaries, wages and welfare (including directors' remuneration as disclosed in note 13 to the extent since the completion of the Reverse Takeover Transaction)	**264,546**	246,619
Retirement benefit schemes contributions	**33,067**	25,913
Total staff costs	**297,613**	272,532
Cost of inventories recognised as an expense	**14,263,657**	13,104,976
Research costs	**4,351**	7,033
Donations	**614**	1,000
Minimum lease payments in respect of land and buildings	**7,341**	6,378

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Company for the period are as follows:

		Other emoluments			
	Fees RMB'000	Salaries and other allowances RMB'000	Employee share option benefits RMB'000	Retirement benefit scheme contribution RMB'000	Total RMB'000
Six months ended 30 June 2011					
Executive Directors					
Mr. Wan Bi Qi	504	110	–	–	614
Mr. Chen Xiang	404	90	–	–	494
Ms. Yuan Ping	404	98	–	–	502
Mr. Long Zhong Sheng *(Note (a))*	–	–	–	–	–
Independent Non-executive Directors					
Mr. Wang Guoqi	42	–	–	–	42
Mr. Wang Qihong	42	–	–	–	42
Mr. Qiu Guanzhou	42	–	–	–	42
	1,438	298	–	–	1,736
Six months ended 30 June 2012					
Executive Directors					
Mr. Zhang Lin *(Note (b))*	**–**	**104**	**–**	**11**	**115**
Mr. Long Zhong Sheng *(Note (b))*	**146**	**99**	**–**	**–**	**245**
Mr. Zhai Baojin *(Note (b))*	**–**	**109**	**–**	**11**	**120**
Mr. Tan Yaoyu *(Note (b))*	**–**	**71**	**–**	**11**	**82**
Mr. Wan Bi Qi	**244**	**100**	**–**	**–**	**344**
Mr. Chen Xiang *(Note (c))*	**98**	**90**	**–**	**–**	**188**
Ms. Yuan Ping *(Note (c))*	**98**	**98**	**–**	**–**	**196**
Independent Non-executive Directors					
Mr. Wang Guoqi	**41**	**–**	**–**	**–**	**41**
Mr. Wang Qihong	**41**	**–**	**–**	**–**	**41**
Mr. Qiu Guanzhou	**41**	**–**	**–**	**–**	**41**
	709	**671**	**–**	**33**	**1,413**

Notes:

(a) Appointed on 13 June 2011 and resigned on 15 June 2011.

(b) Appointed on 22 March 2012.

(c) Resigned on 22 March 2012.

(d) The emoluments paid or payable to the directors prior to the Reverse Takeover Transaction are not included in the consolidated statement of comprehensive income for both periods.

Employees

Of the five highest paid individuals of the Group for the period, the number of directors and employees are as follows:

	Six months ended 30 June	
	2012	2011
Directors	**3**	3
Employees	**2**	2
	5	5

The emoluments of the above two employees for the period are as follows:

	Six months ended 30 June	
	2012 **RMB'000**	2011 RMB'000
Salaries and other allowances	**645**	832
Retirement benefit schemes contributions	**10**	5
	655	837

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

	Six months ended 30 June	
	2012	2011
	Number of employees	
HK$ Nil to HK$1,000,000	**2**	2

For both periods, no emoluments were paid by the Group to any of the directors of the Company 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. None of the directors of the Company waived any emoluments for both periods.

14. DIVIDENDS

No dividend in respect of ordinary shares has been paid or declared by the Company for both periods.

During the period, the Company accrued dividends of approximately RMB2,000 (Six months ended 30 June 2011: RMB2,000) on its 16,485 cumulative redeemable preference shares. Such accrued dividends are included in finance costs of the Group.

15. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
		(restated)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**80,309**	93,521
Effect of dilutive potential ordinary shares:		
– First tranche of HK$220,000,000 1% convertible notes		
• Interest expenses	**3,398**	
• Effect on maturity date extension	**(4,973)**	
• Gain on derivative component	**(2,778)**	
– Dividends on cumulative redeemable preference shares	**2**	
Earnings for the purpose of diluted earnings per share	**75,958**	N/A

	Six months ended 30 June	
	2012	2011
	'000	'000
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**15,300,335**	9,798,911
Effect of dilutive potential ordinary shares:		
– First tranche of HK$220,000,000 1% convertible notes	**113,446**	
– Cumulative redeemable preference shares	**1,459**	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**15,415,240**	N/A

The weighted average number of shares used for the purpose of calculating basic earnings per share for the six months ended 30 June 2011 is determined by reference to the pre-combination capital of the Prosper Well Group multiplied by the exchange ratio established in the Reverse Takeover Transaction.

The weighted average number of shares used for the purpose of calculating basic earnings per share for the six months ended 30 June 2012 is determined by reference to the pre-combination capital of the Prosper Well Group multiplied by the exchange ratio established in the Reverse Takeover Transaction and the weighted average total actual shares of the Company in issue after the completion of the Reverse Takeover Transaction.

No diluted earnings per share for the six months ended 30 June 2011 is presented because the Prosper Well Group did not have potential ordinary shares outstanding during that period.

The computation of diluted earnings per share for the six months ended 30 June 2012 does not assume the conversion of the Company's outstanding HK$1,003,836,048 zero coupon convertible note, which was issued upon the completion of the Reverse Takeover Transaction since its exercise would result in an increase in earnings per share for the six months ended 30 June 2012.

The computation of diluted earnings per share for the six months ended 30 June 2012 does not assume the exercise of the Company's options, which were assumed by the Group upon the completion of the Reverse Takeover Transaction, because the exercise price of those options was higher than the market prices of the Company's ordinary shares for the six months ended 30 June 2012.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining infrastructure and property RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2011 (restated)	1,022,997	985,873	1,609,579	92,464	3,107	1,036,859	4,750,879
Reclassification (restated)	395,289	(386,385)	(38,803)	–	21,796	8,103	–
Additions (restated)	187,824	–	232,360	10,142	13,589	1,122,639	1,566,554
Transfer from construction in progress (restated)	805,124	286,265	310,154	–	–	(1,401,543)	–
Disposals (restated)	(64,991)	–	(101,251)	(3,670)	(45)	–	(169,957)
At 31 December 2011 (restated)	2,346,243	885,753	2,012,039	98,936	38,447	766,058	6,147,476
Additions	33,201	8,605	85,434	1,275	1,450	507,392	637,357
Arising from the Reverse Takeover Transaction *(Note 38(a))*	7,595	–	4,741	1,659	1,988	72,483	88,466
Transfer from construction in progress	63,772	27,598	15,454	–	–	(106,824)	–
Disposals	(757)	–	(345)	(351)	–	–	(1,453)
Exchange realignment	(6)	–	(57)	(118)	(18)	38	(161)
At 30 June 2012	**2,450,048**	**921,956**	**2,117,266**	**101,401**	**41,867**	**1,239,147**	**6,871,685**
Accumulated depreciation:							
At 1 January 2011 (restated)	(421,135)	(383,203)	(877,002)	(38,350)	(906)	–	(1,720,596)
Reclassification (restated)	(180,925)	174,615	13,905	–	(7,595)	–	–
Depreciation (restated)	(132,441)	(48,596)	(187,350)	(10,358)	(4,446)	–	(383,191)
Disposals (restated)	31,059	–	72,304	3,478	43	–	106,884
At 31 December 2011 (restated)	(703,442)	(257,184)	(978,143)	(45,230)	(12,904)	–	(1,996,903)
Depreciation	(54,599)	(28,191)	(73,991)	(5,158)	(3,064)	–	(165,003)
Disposals	225	–	332	341	–	–	898
Exchange realignment	3	–	8	44	6	–	61
At 30 June 2012	**(757,813)**	**(285,375)**	**(1,051,794)**	**(50,003)**	**(15,962)**	**–**	**(2,160,947)**
Carrying amounts:							
At 30 June 2012	**1,692,235**	**636,581**	**1,065,472**	**51,398**	**25,905**	**1,239,147**	**4,710,738**
At 31 December 2011 (restated)	1,642,801	628,569	1,033,896	53,706	25,543	766,058	4,150,573
At 1 January 2011 (restated)	601,862	602,670	732,577	54,114	2,201	1,036,859	3,030,283

17. EXPLORATION AND EVALUATION ASSETS

	RMB'000
At 1 January 2011 (restated)	58,469
Additions (restated)	4,622
At 31 December 2011 (restated)	63,091
Additions	2,659
At 30 June 2012	**65,750**

The exploration and evaluation expenditures of the Group mainly represented the capitalised costs incurred during the evaluation phase for the construction-in-progress of mine structures and plant and machinery for which the installation or modification have not yet been completed with respect to the mines located in Fengshan, Tonglushan and Tongshankou in the PRC.

During the six months period ended 30 June 2012, there have been no changes in facts and circumstances that the carrying amount of the exploration and evaluation expenditures may not be recoverable and hence a full impairment review is not required. The capitalised expenditures would be assessed for impairment before reclassifying to property, plant and equipment (Note 16).

18. PREPAID LEASE PAYMENTS

	RMB'000
Cost:	
At 1 January 2011 (restated)	823,612
Additions (restated)	51,549
At 31 December 2011 (restated)	875,161
Arising from the Reverse Takeover Transaction *(Note 38(a))*	1,396
At 30 June 2012	**876,557**
Accumulated amortisation:	
At 1 January 2011 (restated)	(74,152)
Amortisation (restated)	(19,418)
At 31 December 2011 (restated)	(93,570)
Amortisation	(10,130)
At 30 June 2012	**(103,700)**
Carrying amount:	
At 30 June 2012	**772,857**
At 31 December 2011 (restated)	781,591
At 1 January 2011 (restated)	749,460

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Analysed as:			
Current assets	**20,358**	20,322	20,230
Non-current assets	**752,499**	761,269	729,230
	772,857	781,591	749,460

The prepared lease payments comprise land in the PRC under medium term lease.

19. INTANGIBLE ASSETS

	Mining rights RMB'000	Others RMB'000	Total RMB'000
Cost:			
At 1 January 2011 (restated)	603,002	3,945	606,947
Additions (restated)	–	4,675	4,675
At 31 December 2011 (restated)	603,002	8,620	611,622
Additions	–	898	898
Arising from the Reverse Takeover Transaction *(Note 38(a))*	376,000	–	376,000
At 30 June 2012	**979,002**	**9,518**	**988,520**
Accumulated amortisation:			
At 1 January 2011 (restated)	(16,485)	(1,525)	(18,010)
Amortisation (restated)	(28,003)	(586)	(28,589)
At 31 December 2011 (restated)	(44,488)	(2,111)	(46,599)
Amortisation	(13,749)	(448)	(14,197)
At 30 June 2012	**(58,237)**	**(2,559)**	**(60,796)**
Carrying amount:			
At 30 June 2012	**920,765**	**6,959**	**927,724**
At 31 December 2011 (restated)	558,514	6,509	565,023
At 1 January 2011 (restated)	586,517	2,420	588,937

20. GOODWILL

The amount represents goodwill arising from the Reverse Takeover Transaction as disclosed in note 2. The directors of the Company consider the Company and its subsidiaries upon completion of the Reverse Takeover Transaction as a whole would benefit from the synergies of the Reverse Takeover Transaction. Therefore, goodwill is allocated to one cash generating unit, being the Group after the completion of the Reverse Takeover Transaction, which also represents the single operating segment of the Group as disclosed in note 7 and they would be under one operating segment.

21. 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 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Deferred tax assets	**111,440**	120,052	80,617
Deferred tax liabilities	**(146,947)**	–	–
	(35,507)	120,052	80,617

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

	Accrued expenses RMB'000	Mining rights RMB'000	Convertible note RMB'000	Provisions RMB'000	Early retirement obligation RMB'000	Impairment losses RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011 (restated)	15,182	–	–	52,362	9,259	5,967	–	(2,153)	80,617
(Charge)/credit to profit or loss (restated)	4,240	–	–	5,078	10,246	2,005	189	17,677	39,435
At 31 December 2011 (restated)	19,422	–	–	57,440	19,505	7,972	189	15,524	120,052
Arising from Reverse Takeover Transaction *(Note 38(a))*	–	(94,000)	–	–	–	–	–	–	(94,000)
Issue of HK$1,003,836,048 zero coupon convertible note and charged directly to convertible notes equity reserve	–	–	(55,586)	–	–	–	–	–	(55,586)
(Charge)/credit to profit or loss	(8,949)	–	2,693	(452)	(2,282)	1,519	(189)	1,741	(5,919)
Exchange realignment	–	–	(54)	–	–	–	–	–	(54)
At 30 June 2012	**10,473**	**(94,000)**	**(52,947)**	**56,988**	**17,223**	**9,491**	**–**	**17,265**	**(35,507)**

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB390,841,000 as at 30 June 2012 (31 December 2011 (restated): RMB287,530,000) 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.

As at 30 June 2012, the Group has unused tax losses of RMB11,055,000 (31 December 2011 (restated): RMB756,000) available for offset against future profits. These unused tax losses may be carried forward indefinitely. The Group has not recognised deferred tax asset for these unused tax losses as at 30 June 2012 due to the unpredictability of future profit streams (31 December 2011 (restated): deferred tax assets of RMB189,000 was recognised).

22. DEPOSIT FOR ACQUISITION

On 14 July 2010, the Company entered into an agreement with Alexis Resources Limited (the "Vendor"), an independent third party, for the acquisition of 100% shareholding in Qianyi Limited, a company which will, upon completion of its reorganisation, indirectly hold 80% equity interest in 新疆同興礦業有限責任公司 (Xinjiang Tong Xing Mining Company Limited) ("Tong Xing") at a total consideration of HK$280 million (the "Tong Xing Consideration"). The Tong Xing Consideration will be satisfied as to HK$60 million by cash and as to HK$220 million by the Company issuing convertible notes to the Vendor. In respect of the convertible notes to the Vendor, only 50% of the convertible notes (First Tranche, that is, in the principal sum of HK$110 million) had been delivered to the Vendor and the remaining 50% of the convertible notes (Second Tranche, that is, in the principal sum of HK$110 million) will be delivered to the Vendor within 3 business days after the mining licence of the copper mine located about 115 km southwest of Hami, a city in the eastern part of the Xingjiang Uygur Autonomous Region, the PRC (the "Mine") is granted to Tong Xing.

On 30 December 2010, the Company entered into a supplemental agreement with the Vendor, pursuant to which in view of the fact that according to the blueprint announced by the government of the PRC, a new railway will be built in Xinjiang Uygur Autonomous Region and which will go across part of the Mine and affect part of the controllable resources/reserves of copper in the Mine, the Vendor agrees to, on the basis that it will continue to fulfill its obligation to complete the mining licence of the Mine, conduct exploration works in the new mining area of approximately 0.4625 square kilometers situated in the east of the Mine (the "New Mining Area") in order to supplement and increase the mining resources/reserves of Tong Xing.

According to the supplemental agreement, the Tong Xing Consideration is reduced from HK$280 million to HK$259 million, but it will be increased in accordance with the amount of the controllable resources reserves of copper found in the New Mining Area (in the proportion of HK$2,312.10 per ton of copper), provided always that after the aforesaid adjustments, the total amount of the consideration for both the Mine and the New Mining Area will be capped at HK$365 million and the Group shall not be liable to pay any additional consideration for the extra amount of controllable resources/reserves of copper.

The increase in the amount of the Tong Xing Consideration for the acquisition in relation to the New Mining Area will be payable by the Group (i) as to 50% by cash upon the report on the amount of reserves of the New Mining Area is issued; and (ii) as to the remaining 50% will be kept by the Group for payment of the cost of the mining licence of the New Mining Area. The Vendor shall be responsible for payment of all expenses related to the exploration, the preparation of the reserves report and the application of the mining licence of the New Mining Area.

In respect of the remaining 50% of the convertible notes (Second Tranche, that is, in the principal sum of HK$110 million), it will be delivered to the Vendor as to (i) HK$89 million within 3 business days after the mining licence of the Mine is granted to Tong Xing; and as to (ii) HK$21 million upon the amount of the controllable resources/reserves of copper in the New Mining Area has been determined.

As at 30 June 2012, the amount of deposit for acquisition of RMB138,584,000 (HK$170,000,000) comprises cash paid of HK$60,000,000 and fair value of the first tranche of HK$220,000,000 1% convertible notes estimated on 7 March 2012 of HK$110,000,000 (Note 33(a)).

23. INVENTORIES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Raw materials	**2,247,851**	1,539,973	2,975,570
Work in progress	**1,627,034**	1,675,895	1,007,987
Finished goods	**536,033**	615,933	280,538
	4,410,918	3,831,801	4,264,095

24. TRADE AND BILLS RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Trade receivables	**140,635**	132,957	51,484
Less: Allowance of doubtful debts	**(4,139)**	(4,017)	(3,016)
	136,496	128,940	48,468
Bills receivable:			
– Bills receivable on hand	**48,078**	72,244	8,646
– Discounted to banks	**26,800**	12,000	115,055
– Endorsed to suppliers	**112,393**	383,948	298,991
Notes receivable discounted to banks	**60,000**	60,000	78,000
Total trade and bills receivables	**383,767**	657,132	549,160

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 received within 6 months after delivery. The following is an aged analysis of trade receivables, net presented based on the invoice date at the end of the reporting period.

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Trade receivables, net		
– Less than 1 year	**135,804**	128,100
– 1 – 2 years	**352**	592
– 2 – 3 years	**124**	244
– Over 3 years	**216**	4
	136,496	128,940

The Group's notes receivable represents the commercial acceptance notes issued by third parties. The maturity period of both bills receivables and notes receivable are normally 6 months.

Included in the Group's trade receivable balance as at 30 June 2012 are debtors with aggregate carrying amount of RMB110,591,000 (31 December 2011 (restated): RMB79,370,000); which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The ageing of these receivables are as follows:

Ageing of trade receivables which are past due but not impaired

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Less than 1 year	**109,899**	78,530
1 – 2 years	**352**	592
2 – 3 years	**124**	244
Over 3 years	**216**	4
Total	**110,591**	79,370

Movement in the allowance for doubtful debts on trade receivables

	RMB'000
At 1 January 2011 (restated)	3,016
Impairment losses recognised, net (restated)	1,051
Amounts written off as uncollectible (restated)	(50)
At 31 December 2011 (restated)	4,017
Impairment losses recognised, net	122
At 30 June 2012	**4,139**

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB4,139,000 as at 30 June 2012 (31 December 2011 (restated): RMB4,017,000); which have either been placed under liquidation or in severe financial difficulties.

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Fellow subsidiaries	**88,517**	65,843	3,289

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

25. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Non-current:			
Prepayments for property, plant and equipment	**122,956**	54,685	168,231
Others	**802**	803	803
	123,758	55,488	169,034
Current:			
Prepayments for inventories	**159,960**	58,747	310,169
Tax recoverable	**11,560**	–	5,766
Other receivables	**141,539**	113,371	77,660
Less: Provision for impairment	**(33,825)**	(27,872)	(20,851)
	279,234	144,246	372,744

Movement in the provision for impairment on other receivables

	RMB'000
At 1 January 2011 (restated)	20,851
Impairment losses recognised, net (restated)	7,021
At 31 December 2011 (restated)	27,872
Impairment losses recognised, net	5,953
At 30 June 2012	**33,825**

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Prepayments made to			
– Daye Corporation	**37,733**	39,665	–
– Fellow subsidiaries	**6,272**	11,464	14,794
Other receivables due from			
– Daye Corporation	**6,377**	–	33,821
– Fellow subsidiaries	**–**	6,272	40

The above balances with related parties are unsecured, interest-free and are repayable on demand.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Current assets			Current liabilities		
	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Carried at fair value						
– Copper futures contracts	**3,217**	925	–	**1,075**	127	137,952
– Gold futures contracts	**–**	–	–	**4,756**	9,578	–
– Silver futures contracts	**234**	–	–	**364**	–	–
– Copper forward contracts	**279**	–	–	**525**	–	–
– Copper put option contracts	**–**	–	–	**616**	–	–
– Currency forward contracts	**4,982**	–	–	**153**	4,774	–
	8,712	925	–	**7,489**	14,479	137,952

Contract type

		Buy			Sell		
		At 30 June 2012	At 31 December 2011 (restated)	At 1 January 2011 (restated)	**At 30 June 2012**	At 31 December 2011 (restated)	At 1 January 2011 (restated)
Copper futures contracts							
Quantity	(tonnes)	**6,445**	670	–	**3,225**	200	18,055
Contract price	(RMB)	**53,010 – 58,220**	53,450 – 54,550	N/A	**54,700 – 55,800**	55,720 – 54,700	59,680 – 67,984
Gold futures contracts							
Quantity	(kg)	**501**	359	–	**–**	–	–
Contract price	(RMB)	**324,510 – 347,700**	322,700 – 359,020	N/A	**N/A**	N/A	N/A
Silver futures contracts							
Quantity	(kg)	**1,200**	–	–	**1,995**	–	–
Contract price	(RMB)	**6,008**	N/A	N/A	**5,821**	N/A	N/A
Copper forward contracts							
Quantity	(tonnes)	**200**	–	–	**500**	–	–
Exercise price	(US$)	**7,478 – 7,481**	N/A	N/A	**7,390 – 7,675**	N/A	N/A
Copper put option contracts							
Quantity	(tonnes)	**–**	–	–	**1,000**	–	–
Exercise price	(US$)	**N/A**	N/A	N/A	**6,750**	N/A	N/A
Currency forward contracts							
Currency	(US$'000)	**49,262**	3,240	–	**–**	–	–
Exercise price	(RMB)	**6.330 – 6.386**	6.506	N/A	**N/A**	N/A	N/A
Currency	(US$'000)	**32,727**	–	–	**–**	–	–
Exercise price	(EUR)	**1.2861**	N/A	N/A	**N/A**	N/A	N/A
Currency	(EUR'000)	**2,570**	–	–	**–**	–	–
Exercise price	(US$)	**1.2505**	N/A	N/A	**N/A**	N/A	N/A
Currency	(EUR'000)	**–**	7,500	–	**–**	–	–
Exercise price	(RMB)	**N/A**	8.7247	N/A	**N/A**	N/A	N/A

The Group uses commodity derivative contracts to hedge its commodity price risk. Commodity derivative contracts utilised by the Group include standardised copper, gold and silver futures contracts in Shanghai Futures Exchange ("SHFE") and standardised copper forward and option contracts in London Metal Exchange ("LME"). 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$ and EUR.

Under hedge accounting

The Group utilises commodity derivative contracts (copper future contracts) to hedge its exposure to variability in fair value changes attributable to price fluctuation risk associated with inventories, mainly includes copper concentrate, copper cathodes and other copper products. For the purpose of hedge accounting, those hedging transactions of the Group are classified as fair value hedge.

The Group formally designates and documents the hedging relationship at the inception of the hedge, risk management objective and strategy for undertaking the hedges. The fair value hedges of the Group were assessed to be highly effective and qualified for hedge accounting.

Details of the fair value gains/losses of commodity derivative contracts designated as fair value hedges of the Group and the net fair value losses/gains of the hedged items, inventories, attributable to the risk hedged have been disclosed in note 9.

Not under hedge accounting

The Group did not formally designate or document the hedging transactions with respect to the gold and silver futures contracts with SHFE, the copper forward and option contracts with LME and the foreign currency forward contracts with banks. Therefore, those transactions were not qualified for hedge accounting.

27. DEPOSITS, BANK BALANCES AND CASH

(i) Restricted deposits and balances

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Current			
Bank deposits *(Note (a))*	**519,066**	450,973	424,587
Bank balances *(Note (b))*	**23,832**	12,209	162,657
Other deposits *(Note (c))*	**168,317**	73,984	337,768
	711,215	537,166	925,012
Non-current			
Bank deposits *(a)*	**5,948**	124,553	–

Notes:

(a) Bank deposits are pledged to banks as security for certain bank loans and banking facilities of the Group. The effective interest rates of these bank deposits are as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Weighted average effective interest rate (per annum)	**2.3%**	3.1%	4.0%

Further details are set out in note 30(a).

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

(c) Other deposits are held in certain financial institutions as security for the commodities derivative and currency forward contracts.

(ii) Bank deposits

As at 30 June 2012, the bank deposits of RMB187,961,000 (31 December 2011 (restated): RMB362,659,000) carry interest at market rates ranging from 3.2% to 3.5% per annum (31 December 2011 (restated): 3.0% – 3.3%).

(iii) Bank balances and cash

Bank balances carry interest at market rates ranging from 0.4% to 0.5% per annum at the end of each reporting period.

(iv) Cash and cash equivalents

Reconciliation from cash and cash equivalents in the consolidated statement of cash flows to bank deposits, bank balances and cash in the consolidated statement of financial position is set out below:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 30 June 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Bank balances and cash	**519,404**	328,364	635,195	304,049
Non-pledged bank deposits with original maturity of less than three months when acquired	**187,961**	–	65,300	–
Cash and cash equivalents in the consolidated statement of cash flows	**707,365**	328,364	700,495	304,049
Non-pledged bank deposits with original maturity of more than three months when acquired	**–**	362,659	551,941	385,363
Bank deposits, bank balances and cash in the consolidated statement of financial position	**707,365**	691,023	1,252,436	689,412

28. TRADE PAYABLES

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Within 1 year	**995,098**	1,298,688
More than 1 year, but less than 2 years	**3,743**	4,068
More than 2 years, but less than 3 years	**818**	1,190
Over 3 years	**5,618**	5,737
	1,005,277	1,309,683

The carrying amounts of the Group's trade payables approximate their fair values and are denominated in the following currencies:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
RMB	**706,447**	952,658
US$	**298,830**	357,025
	1,005,277	1,309,683

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Daye Corporation	**–**	–	491
Fellow subsidiaries	**5,953**	16,645	19,333
An associate of Daye Corporation	**–**	–	1,212

The above balances with related parties are unsecured, interest-free and are repayable on demand.

29. OTHER PAYABLES AND ACCRUED EXPENSES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Receipts in advance from customers	**215,113**	131,128	117,551
Salaries and welfare payables	**83,164**	127,156	106,276
Interest payables	**28,689**	35,024	35,493
Current portion of deferred income *(Note 34)*	**2,885**	3,044	1,421
Other payables and accruals	**380,138**	488,391	225,792
Dividend payable	**2**	–	–
	709,991	784,743	486,533

Included in the Group's other payables and accrued expenses are balances with the following related parties:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Receipts in advance from customers			
– Fellow subsidiaries	**304**	3,781	32,896
Other payables			
– Fellow subsidiaries	**18,158**	35,059	43,880

The Group's other payables are denominated in RMB and approximate their fair values. Balances with fellow subsidiaries are unsecured, interest-free and repayable on demand.

30. BANK AND OTHER BORROWINGS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Bank borrowings			
– secured *(Note (a))*	**421,924**	875,272	694,140
– unsecured *(Note (b))*	**4,392,598**	3,624,529	3,589,005
Other borrowings			
– Loans from Daye Corporation, unsecured *(Note (c))*	**1,529,592**	733,919	495,219
– Advance from banks for discounted bills	**26,800**	12,000	115,055
– Advance from banks for discounted notes	**60,000**	60,000	78,000
– Gold loans *(Note (d))*	**257,992**	95,940	–
– Debentures *(Note (e))*	**–**	–	700,000
	6,688,906	5,401,660	5,671,419
Carrying amounts repayable:			
Within one year and on demand	**4,682,745**	3,705,157	4,813,781
More than one year, but not exceeding two years	**389,195**	270,794	57,542
More than two year, but not exceeding five years	**1,481,000**	1,368,000	691,028
More than five years	**135,966**	57,709	109,068
	6,688,906	5,401,660	5,671,419
Less: Amounts shown under current liabilities	**(4,682,745)**	(3,705,157)	(4,813,781)
	2,006,161	1,696,503	857,638
Total borrowings:			
– at fixed rates	**2,537,416**	3,029,038	3,716,476
– at floating rates	**4,151,490**	2,372,622	1,954,943
Analysis of borrowings by type/ currency:			
– denominated in RMB	**4,177,446**	3,339,289	4,234,293
– denominated in USD	**2,233,234**	1,884,653	1,437,126
– denominated in EUR	**20,234**	81,778	–
– gold loans	**257,992**	95,940	–

Notes:

(a) As at 30 June 2012, secured bank borrowings of the Group amounting to RMB421,924,000 (31 December 2011 (restated): RMB875,272,000) were secured by bank deposits of RMB519,066,000 (31 December 2011 (restated): RMB450,973,000).

(b) As at 30 June 2012, included in unsecured bank borrowings of the Group amounting to RMB674,283,000 (31 December 2011 (restated): RMB670,000,000) were guaranteed by Daye Corporation.

(c) The details of unsecured loans from Daye Corporation are as follows:

Interest rate	Terms of repayment	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Fixed rate at 4.98% per annum	Repayable on 15 October 2015	**490,000**	490,000	490,000
Fixed rate at 4.98% per annum	Repayable on 1 December 2016	**90,000**	90,000	–
Fixed rate at 5.79% per annum	Repayable on 17 January 2017	**500,000**	–	–
Floating rate quoted by People's Bank of China	Not demand for repayment before 1 January 2013	**–**	153,919	–
Floating rate quoted by People's Bank of China	Not demand for repayment before 1 July 2013	**370,195**	–	–
Floating rate quoted by People's Bank of China	Repayable on demand	**79,397**	–	5,219
		1,529,592	733,919	495,219

(d) The unrealised gain arising from change in fair value of gold loans designated as financial instruments of RMB958,000 (Six months ended 30 June 2011 (restated): loss of RMB2,852,000) has been charged to profit or loss for the six months ended 30 June 2012.

(e) As approved by the National Association of Financial Market Institutional Investors, the Group issued certain short-term debentures on 19 March 2010 at par value of RMB700,000,000, with a maturity of 365 days from the date of issuance. The debentures are secured by guarantees by Beijing Yangtze Power Innovation Investment Management Co., Ltd., a then non-controlling interest holder of the Group, and bore interest at a fixed rate of 2.75% per annum. The debentures were fully repaid on 22 March 2011.

31. PROVISIONS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Provision for mine rehabilitation, restoration and dismantling *(Note (a))*	**38,590**	36,921	27,155
Employees medical obligation *(Note (b))*	**189,362**	192,839	182,292
	227,952	229,760	209,447
Analysed as:			
Current	**34,983**	22,586	14,815
Non-current	**192,969**	207,174	194,632
	227,952	229,760	209,447

(a) Provision for mine rehabilitation, restoration and dismantling

	RMB'000
At 1 January 2011(restated)	27,155
Interest cost (restated)	9,766
At 31 December 2011 (restated)	36,921
Interest cost	1,669
At 30 June 2012	**38,590**

Analysed as:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Non-current	**38,590**	36,921	27,155

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% as at 30 June 2012 (31 December 2011 (restated): 3%).

(b) Employees medical obligation

	RMB'000
At 1 January 2011 (restated)	182,292
Provision recognised for the period	9,254
Interest cost (restated)	18,115
Payments (restated)	(16,822)
At 31 December 2011 (restated)	192,839
Interest cost	3,037
Payments	(6,514)
At 30 June	189,362

Analysed as:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Current	**34,983**	22,586	14,815
Non-current	**154,379**	170,253	167,477
	189,362	192,839	182,292

This provision represents the anticipated costs of compensation paid to those employees injured at work or suffered occupational disease that do not cover by the external insurance plan as required by the relevant rules and regulation in the PRC. These future cost estimates including reimbursement of medical expenses and other compensation as required by the relevant rules and regulation are discounted to their present value. The discount rate using in determining this provision is 3% as at 30 June 2012 (31 December 2011 (restated): 3%) at the end of the reporting period.

In 2007, management of the Group and the Huangshi Labour and Social Security Bureau reached a mutual confirmation on the details of the transfer of the Group's employees medical obligation to the social security system of Huangshi City (the "Transfer"), including the timing and the settlement principle, when a number of guidance and notices have been issued by Ministry of Labour and Social Security in 2005 and 2007. Therefore, management is in the opinion that a future transfer is confirmed and the provision is determined by management based on the available information and the best estimates.

The Group has made periodic contribution to external insurance plans for its employee since 2005 and is not obligated to any further liabilities in respect of the employee injuries since then.

32. CUMULATIVE REDEEMABLE PREFERENCE SHARES

As at 30 June 2012, the amount represents fair value of 16,485 cumulative redeemable preference shares outstanding which arose from the Reverse Takeover Transaction (Note 38(a)). A holder of the convertible cumulative redeemable preference shares ("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 of the Company 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 at the notional value of the CPS if the average of the closing prices of the ordinary share of the Company 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.

33. CONVERTIBLE NOTES

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Liability component:			
First tranche of HK$220,000,000 1% convertible notes *(Note (a))*	**74,609**	–	–
HK$1,003,836,048 zero coupon convertible note *(Note (b))*	**497,439**	–	–
	572,048	–	–
Derivative component:			
First tranche of HK$220,000,000 1% convertible notes *(Note (a))*	**7,479**	–	–
	579,527	–	–

Notes:

(a) First tranche of HK$220,000,000 1% convertible notes

As part of the deposit for acquisition of 100% shareholding in Qianyi Limited as disclosed in notes 2 and 22, the first tranche of convertible notes in the principal sum of HK$110 million was issued by the Company on 22 July 2010 and recognised as its fair value on 7 March 2012 pursuant to the Reverse Takeover Transaction (Note 38(a)). Details of these convertible notes are as follows:

The convertible notes carry coupon interest rate of 1% per annum, which shall be payable by the Company upon redemption of the notes and entitle the holders to convert into ordinary shares of the Company at an initial conversion price of HK$0.618 (subject to adjustments in accordance with the terms of the convertible notes) at any time during the period commencing from the date of issue of convertible notes. Due to the effect of certain adjustments to conversion price, the conversion option may not result in the conversion of the convertible notes into a fixed number of the Company's ordinary shares. Hence, the conversion option is accounted for as a derivative.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible notes at the principal amount together with accrued interest on the maturity date which is the date falling two years after the issue date.

Pursuant to the supplemental agreement entered with the Vendor on 30 January 2012, if the Vendor does not exercise the conversion right attached to the convertible notes on or before the maturity date (that is, 22 July 2012) (the "Original Maturity Date"), the Company has the right to choose either:

(i) defer the Company's payment obligation on redemption of the convertible notes at its principal amount together with interest outstanding to 31 October 2013. No interest will be accrued on principal amount together with interest under the convertible notes for the period from 22 July 2012 to 31 October 2013. For the avoidance of doubt, the Vendor cannot exercise the conversion right attached to the convertible notes after 22 July 2012; or

(ii) amend the terms of the convertible notes and extend the maturity date and the conversion period of the convertible notes to 30 June 2013. No interest will be accrued on principal amount together with interest under the convertible notes for the period from 22 July 2012 to 31 October 2013.

Pursuant to the supplemental agreements with the Vendor dated 31 May 2012 and 29 June 2012, respectively, the Original Maturity Date has been extended from 22 July 2012 to 31 December 2013 (the "New Maturity Date"), on which the convertible notes shall be redeemed by the Company at its principal amount together with interest outstanding; and interest on the convertible notes shall be accrued on and from the date of issue of the convertible notes up to and including the Original Maturity Date only. No interest shall be accrued on the convertible notes for the period from the Original Maturity Date to the New Maturity Date.

Details of the first tranche of HK$220,000,000 1% convertible notes are set out in the Company's announcements dated 16 April 2010, 16 July 2010, 30 December 2010, 30 August 2011, 31 January 2012, 31 May 2012 and 29 June 2012.

The Company determined the fair value of the derivative component (conversion right of convertible notes holders) upon the completion of the Reverse Takeover Transaction on 7 March 2012 and on 30 June 2012 based on the valuations performed by Jones Lang LaSalle using the Binominal Model and such amount is carried as a derivative component until extinguished on conversion or redemption. Changes in fair value of derivative component are recognised in profit or loss. The liability component was measured at fair value on 7 March 2012 and measured at amortised cost basis until extinguished on conversion or redemption. The effective interest rate on 7 March 2012 was 14.91% and has been changed to 14.5% on 29 June 2012 due to the New Maturity Date.

The movements of the liability component and the derivative component of the first tranche of HK$220,000,000 1% convertible notes during the period from 7 March 2012 and 30 June 2012 are as follows:

	Liability component RMB'000	**Derivative component RMB'000**	**Total RMB'000**
At 7 March 2012 *(Note 38(a))*	**76,105**	**10,256**	**86,361**
Interest expense	**3,398**	**–**	**3,398**
Extension of maturity date	**(4,973)**	**–**	**(4,973)**
Fair value adjustment	**–**	**(2,778)**	**(2,778)**
Exchange realignment	**79**	**1**	**80**
At 30 June 2012	**74,609**	**7,479**	**82,088**

(b) HK$1,003,836,048 zero coupon convertible note

Part of the consideration in respect of the Reverse Takeover Transaction was the issue of HK$1,003,836,048 zero coupon convertible note to China Times on 7 March 2012.

This zero coupon convertible note entitles the holders 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 convertible note) at any time during the period commencing from the issue date of the convertible note.

Unless previous converted and cancelled by the Company, the Company shall redeem any outstanding convertible note at the principal amount on the maturity date which is the date falling five years after the issue date.

The Group determined the fair value of the liability component based on the valuations performed by Jones Lang LaSalle using discounted cash flow approach. The effective interest rate is 11.2%. The residual amount was assigned as the equity component for the conversion option and was included in the convertible note equity reserve of the Group.

The liability component is carried as a non-current liability on an amortised cost basis until extinguished on conversion or redemption.

The movements of the liability component and equity component of the convertible note from the issue date to 30 June 2012 is as follows:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At 7 March 2012	**480,539**	**336,884**	**817,423**
Interest expense	**16,309**	**–**	**16,309**
Exchange realignment	**591**	**–**	**591**
At 30 June 2012	**497,439**	**336,884**	**834,323**

34. DEFERRED INCOME

	RMB'000
At 1 January 2011 (restated)	65,458
Government grants obtained (restated)	54,729
Credited to profit or loss (restated)	(4,176)
At 31 December 2011 (restated)	116,011
Government grants obtained	21,181
Credited to profit or loss	(2,080)
At 30 June 2012	**135,112**

Analysed as:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Current *(Note 29)*	**2,885**	3,044	1,421
Non-current	**132,227**	112,967	64,037
	135,112	116,011	65,458

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.

35. EARLY RETIREMENT OBLIGATION

	RMB'000
At 1 January 2011 (restated)	37,036
Additions (restated)	62,964
Interest cost (restated)	1,990
Benefits paid (restated)	(23,971)
At 31 December 2011 (restated)	78,019
Additions	990
Interest cost	1,030
Benefits paid	(11,148)
At 30 June 2012	**68,891**

Analysed as:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Current	**18,430**	18,430	11,550
Non-current	**50,461**	59,589	25,486
	68,891	78,019	37,036

The Group had made offers to certain employees for encouraging them to accept voluntary redundancy before their normal retirement date (the "Early Retirement Scheme"). Early retirement benefits are recognised when the Group enters into agreements specifying the terms of early retirement or after the individual employees have been advised of the specific terms.

The above obligation was determined based on actuarial valuations performed by an independent firm of actuaries, Towers Watson, Hong Kong, using the projected unit credit method.

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

	At 30 June 2012	At 31 December 2011 (restated)	At 1 January 2011 (restated)
Discount rate	**2.5%**	3%	3.5%
Early-retirees' salary inflation rate	**5%**	5%	5%
Early-retirees' supplemental benefit inflation rate	**5%**	5%	5%

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

36. ISSUED EQUITY

Issued equity represents the issued equity instruments of Prosper Well before the Reverse Takeover Transaction and, in the case of after the Reverse Takeover Transaction, plus the deemed consideration to be given by Prosper Well for the Reverse Takeover Transaction, represented by the fair value of the Company's shares immediately prior to the Reverse Takeover Transaction.

Ordinary share capital of Prosper Well

Prosper Well was incorporated on 1 December 2010 with an initial authorised ordinary share capital of US$50,000 divided into 50,000 shares of US$1 each. On the date of incorporation, 1 ordinary share was issued with ordinary share capital of US$1. Since then, Prosper Well did not have any change in its share capital.

As at 1 January 2011, 30 June 2011 and 31 December 2011, the issued equity of the Group reflects the ordinary share capital of Prosper Well of US$1.

Ordinary share capital of the Company

	Number of shares	**Amount** HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 1 January 2011, 31 December 2011 and 30 June 2012	30,000,000,000	1,500,000
Issued and fully paid:		RMB'000
Ordinary shares of HK$0.05 each		
At 1 January 2011 and 31 December 2011	5,591,195,552	227,646
Issue of Consideration Shares *(Note)*	11,736,715,634	477,860
At 30 June 2012	**17,327,911,186**	**705,506**

Note:

As disclosed in note 2 above, the consideration of the Reverse Takeover Transaction was partly satisfied by the allotment and issue of 10,799,762,092 ordinary shares of the Company and 936,953,542 ordinary shares of the Company to China Times and Cinda HK, respectively. The Reverse Takeover Transaction was completed on 7 March 2012. The Consideration Shares issued on the completion date was based on the closing price of HK$0.485 per share on 7 March 2012, resulting in credits to ordinary share capital of the Company of RMB477,860,000 (HK$586,836,000) and share premium of the Company of RMB4,157,385,000 (HK$5,105,471,000).

37. 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. The principal terms of the Scheme are as follows:

(i) The maximum number of shares in respect of which options may be granted under the Scheme must not, in aggregate, exceed 10% of the issued ordinary share capital of the Company as at the date of approval of the Scheme, unless approval of the shareholders has been obtained to renew the limit, and which must not in aggregate (including all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group) exceed 30% of the ordinary shares of the Company in issue from time to time.

(ii) The number of ordinary shares in respect of which options may be granted to any individual in any 12-month period must not exceed 1% of the ordinary shares of the Company in issue as at the date of grant.

(iii) The exercise price is determined by the directors of the Company in its absolute discretion at a price not less than the highest of (a) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a trading day; (b) the average closing prices of the ordinary shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of ordinary share of the Company.

(iv) An option may be accepted by a proposed grantee within 7 days from the date of the offer of grant of the option. There is no minimum period for which an option must be held before it can be exercised. An option may be exercised at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date.

(v) Upon acceptance of the option, the grantee shall pay of HK$1.00 to the Company by way of consideration for the grant of the option.

(vi) The Scheme will remain valid for a period of 10 years commencing in October 2003.

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

Date of grant:	19 June 2009
Exercisable period:	19 June 2009 – 18 June 2019
Number of share options on 7 March 2012 (completion date of the Reverse Takeover Transaction):	
– Directors	50,000,000
– Employees	62,700,000
– Consultants	195,000,000
Total	307,700,000
Exercise price:	HK$0.61
Price of ordinary share of the Company as at 7 March 2012:	HK$0.485
Expected volatility:	49.12%
Interest rate as at the valuation date:	0.9%
Maturity (years)	7.285

The Company determined the fair value of the vested equity-settled share options amounted to RMB51,648,000 upon the completion of the Reverse Takeover Transaction on 7 March 2012 based on the valuations performed by Jones Lang LaSalle using the Binomial Model.

Apart from the above, no share option has been granted, exercised, forfeited or expired for the period from 1 January 2011 to 30 June 2012.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of the Existing Group

As disclosed in note 2, on 7 March 2012, the Company issued Consideration Shares and HK$1,003,836,048 zero coupon convertible note in exchange for the entire shareholdings in Prosper Well. In accordance with HKFRS 3 (Revised 2008), Prosper Well is deemed to be the accounting acquirer of the Existing Group. Reverse acquisition accounting is adopted to account for the Reverse Takeover Transaction.

The fair value of the identifiable assets and liabilities of the Existing Group and goodwill arising from the Reverse Takeover Transaction are as follows:

	RMB'000
Purchase consideration:	
Consideration deemed to have been paid by the Prosper Well Group *(Note 2)*	2,259,809
Less: Fair value of the Existing Group's identifiable assets acquired and liabilities assumed attribute to the Reverse Takeover Transaction (see below for details)	(298,153)
Goodwill	1,961,656

The recognised amounts of identifiable assets acquired and liabilities assumed of the Existing Group on the completion date of the Reverse Takeover Transaction were as follows:

	Notes	RMB'000
Property, plant and equipment	*16*	88,466
Prepaid lease payments	*18*	1,396
Mining rights	*19*	376,000
Deposit for acquisition	*22*	138,431
Other receivables		36,224
Bank balances and cash		57,799
Trade and other payables		(68,682)
Cumulative redeemable preference shares	*32*	(904)
First tranche of HK$220,000,000 1% convertible notes	*33(a)*	(86,361)
Deferred tax liabilities	*21*	(94,000)
Total identifiable net assets		448,369
Non-controlling interests*		(150,216)
		298,153

* The amount is measured based on proportionate share of net assets acquired.

	RMB'000
Satisfied by:	
Total deemed consideration transferred	2,259,809
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	57,799

The Existing Group did not contribute any revenue and incurred a net loss of RMB23,607,000 to the Group for the period from 7 March 2012 (completion date of the Reverse Takeover Transaction) to 30 June 2012. If the Reverse Takeover Transaction had occurred on 1 January 2012, the Group's revenue and profit attributable to owners of the Company for the six months ended 30 June 2012 would have been approximately RMB14,722,695,000 and RMB73,329,000, respectively.

(b) Major non-cash transaction

The acquisition of the Existing Group involves the issue of the Consideration Shares and the HK$1,003,836,048 zero coupon convertible note which are non-cash in nature.

39. 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 periods.

The capital structure of the Group consists of net debts (which includes bank and other borrowings, convertible notes and cumulative redeemable preference shares), restricted bank deposits and bank balances, bank deposits, bank balances and cash and equity attributable to owners of the Company (comprising issued equity, share premium, reserves and retained profits).

Gearing ratio

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

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

	Notes	**At 30 June 2012 RMB'000**	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Debts	*(i)*	**7,269,337**	5,401,660	5,671,419
Less: Restricted bank deposits and bank balances, bank deposits, bank balances and cash		**(1,256,211)**	(1,278,758)	(1,276,656)
Net debts		**6,013,126**	4,122,902	4,394,763
Equity	*(ii)*	**5,411,225**	3,606,072	2,224,680
Net debts to equity ratio		**111.1%**	114.3%	197.5%

Notes:

(i) Debts comprise non-current and current portion of bank and other borrowings, convertible notes and cumulative redeemable preference shares as detailed in notes 30, 33 and 32, respectively.

(ii) Equity includes issued equity, share premium, reserves and retained profits attributable to owners of the Company.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)	At 1 January 2011 RMB'000 (restated)
Financial assets			
Loans and receivables	**1,916,811**	2,096,176	2,221,196
Derivatives	**8,712**	925	–
Financial liabilities			
Amortised costs	**8,500,232**	7,265,974	7,309,051
Cumulative redeemable preference shares	**904**	–	–
Derivatives	**7,489**	14,479	137,952
Derivative component of convertible notes	**7,479**	–	–

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 deposits, bank balances and cash, trade payables, other payables, bank and other borrowings, convertible notes (including both liability and derivative components) and cumulative redeemable preference shares and derivatives. 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 of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Commodity price risk

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

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, gold and silver derivative contracts, gold loan contracts, inventories that effectively hedged by commodity futures contracts in accordance with HKFRS, and the provisional price arrangements in respect of purchases of copper concentrate.

The Group enters into copper, gold and silver derivative contracts for the purpose of manage its exposure to copper, gold and silver price risk, respectively.

The Group formally designates and documents the hedging relationship at inception of its hedging transactions in respect of its inventories, therefore, a significant portion of the outstanding futures contracts related to copper were assessed to be highly effective and accounted for as fair value hedges at each reporting date. The fair value changes of these outstanding copper futures contracts will be significantly offset by the corresponding fair value changes in the hedged inventories, as a result, management is of the opinion that any reasonable changes in copper price would not result in a significant change in the Group's results in respect of these contracts.

The following table details the Group's sensitivity to movement in prices in respect of its outstanding commodity derivative contracts (those are not qualified as hedging accounting) and gold at each reporting date. At each reporting date, if the prices of these commodity derivative contracts and gold increased/decreased by a reasonable possible change, with all other variables were held constant, the Group's profit before tax would have been affected as set out below:

	At 30 June 2012 Increase/ (decrease) in profit before tax RMB'000	At 31 December 2011 Increase/ (decrease) in profit before tax RMB'000 (restated)	At 1 January 2011 Increase/ (decrease) in profit before tax RMB'000 (restated)
The prices of the commodity derivative contracts (not qualified as hedging accounting) and gold:			
– Increased by 30%	**(79,122)**	(31,655)	(816)
– Decreased by 30%	**79,122**	31,655	816

Interest rate risk

The Group is exposed to interest rate volatility on bank deposits, bank balances and borrowings. Bank deposits, bank balances and borrowings at variable rates expose the Group to cash flow interest rate risk. Bank deposits, bank balances, convertible notes and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's restricted bank deposits and bank balances, bank deposits, bank balances and cash, convertible notes and bank and other borrowings have been disclosed in notes 27, 33 and 30, respectively. The Group does not use derivative financial instruments to hedge its interest rate risk.

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, of the Group's profit before tax as a result of the change in interest income/expense for floating rate deposits and borrowings:

	At 30 June 2012		At 31 December 2011		At 1 January 2011	
	+100 basis points Increase/ (Decrease) in profit before tax RMB'000	**-100 basis points Increase/ (Decrease) in profit before tax RMB'000**	+100 basis points Increase/ (Decrease) in profit before tax RMB'000 (restated)	-100 basis points Increase/ (Decrease) in profit before tax RMB'000 (restated)	+100 basis points Increase/ (Decrease) in profit before tax RMB'000 (restated)	-100 basis points Increase/ (Decrease) in profit before tax RMB'000 (restated)
Financial assets						
– Bank balances	**5,432**	**–**	3,406	–	4,667	–
Financial liabilities						
– Bank and other borrowings	**(34,108)**	**34,108**	(19,274)	19,274	(16,626)	16,626
Total	**(28,676)**	**34,108**	(15,868)	19,274	(11,959)	16,626

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 United States dollars (US$) and Euros (Euro) and certain borrowings that are denominated in US$ and Euro.

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$ and Euro.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure. During the period, 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 the RMB-US$ and RMB-Euro exchange rates, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities, and certain derivative financial instruments.

	At 30 June 2012 Increase/ (decrease) in profit before tax RMB'000	At 31 December 2011 Increase/ (decrease) in profit before tax RMB'000 (restated)	At 1 January 2011 Increase/ (decrease) in profit before tax RMB'000 (restated)
RMB – US$			
Increase in exchange rate by 5%	**123,622**	111,974	86,368
Decrease in exchange rate by 5%	**(123,622)**	(111,974)	(86,368)
RMB – Euro			
Increase in exchange rate by 5%	**(9,139)**	4,295	–
Decrease in exchange rate by 5%	**9,139**	(4,295)	–

Credit risk

The carrying amount of trade, bills and other receivables, derivative financial instruments, restricted deposits and bank balances, bank deposits, bank balances and cash included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history. The credit risk arising from sales to major non-ferrous metals customers are managed by contracts that stipulate an upfront payment of significant portion of the amount of each sale and the remaining balance is normally received within 6 months. The Group performs periodic credit evaluations of its customers and slow moving debts, if any, are regular monitored with timely follow-up action taken. With diversified customer bases and the credit policy as stated above, the Group has no significant concentrations of credit risk with respect to a particular customer. 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 and notes receivables are only drawn from major state-owned financial institutions in the PRC. Substantially all the bank deposits, bank balances and restricted deposits as detailed in note 27 are held in major state-owned financial institutions located in the PRC and substantially all derivative financial instruments also directly entered into with the Shanghai Futures Exchange 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.

Liquidity risk

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

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. Derivative financial liabilities and gold loans 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:

	Weighted average interest rate	Less than 1 year and on demand	1 to 2 years	2 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011 (restated)							
Trade payables		1,270,071	–	–	–	1,270,071	1,270,071
Other payables		367,561	–	–	–	367,561	367,561
Bank and other borrowings	3.81	5,029,902	93,290	805,042	143,589	6,071,823	5,671,419
Derivative financial instruments		137,952	–	–	–	137,952	137,952
		6,805,486	93,290	805,042	143,589	7,847,407	7,447,003
At 31 December 2011 (restated)							
Trade payables		1,309,683	–	–	–	1,309,683	1,309,683
Other payables		650,571	–	–	–	650,571	650,571
Bank and other borrowings	4.94	3,983,138	308,005	1,670,579	60,783	6,022,505	5,401,660
Derivative financial instruments		14,479	–	–	–	14,479	14,479
		5,957,871	308,005	1,670,579	60,783	7,997,238	7,376,393

	Weighted average 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 30 June 2012							
Trade payables		1,005,277	–	–	–	1,005,277	1,005,277
Other payables		491,993	–	–	–	491,993	491,993
Bank and other borrowings	4.69	5,006,263	462,823	1,771,984	150,768	7,391,838	6,688,906
Cumulative preference shares		904	–	–	–	904	904
Convertible notes	11.20 – 14.50	–	89,672	818,327	–	907,999	579,527
Derivative financial instruments		7,489	–	–	–	7,489	7,489
		6,511,926	552,495	2,590,311	150,768	9,805,500	8,774,096

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

- The fair values of other financial financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets, financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values at the end of each reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair values are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 1 January 2011 (restated)				
Financial liabilities				
Derivative financial instruments	–	137,952	–	137,952
At 31 December 2011 (restated)				
Financial assets				
Derivative financial instruments	–	925	–	925
Financial liabilities				
Derivative financial instruments	–	14,479	–	14,479

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
At 30 June 2012				
Financial assets				
Derivative financial instruments	**–**	**8,712**	**–**	**8,712**
Financial liabilities				
Derivative financial instruments	**–**	**7,489**	**–**	**7,489**
Derivative component of convertible notes	**–**	**7,479**	**–**	**7,479**

41. TRANSFERS OF FINANCIAL ASSETS

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

At 31 December 2011 (restated)

	Bills receivable discounted to banks with recourse RMB'000	Bills receivable endorsed to suppliers with recourse RMB'000	Notes receivable discounted to banks with recourse RMB'000
Carrying amount of transferred assets	12,000	383,948	60,000
Carrying amount of associated liabilities	12,000	383,948	60,000
Net position	–	–	–

At 30 June 2012

	Bills receivable discounted to banks with recourse RMB'000	**Bills receivable endorsed to suppliers with recourse RMB'000**	**Notes receivable discounted to banks with recourse RMB'000**
Carrying amount of transferred assets	**26,800**	**112,393**	**60,000**
Carrying amount of associated liabilities	**26,800**	**112,393**	**60,000**
Net position	**–**	**–**	**–**

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivable and notes receivable to the respective banks by discounting the bills receivable and notes receivable for cash on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the bills receivable and notes receivable and continued to recognise the bills receivable and notes receivables. Associated liabilities have been recognised and included in bank and other borrowings.

In addition, the Group endorsed certain bills receivable to suppliers to exchange for goods and services from those suppliers which transferred the contractual rights to receive cash flows from those bills receivable to the respective supplier on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risk and rewards of ownership of the bills receivable and continued to recognise the bills receivable and the associated trade payables.

42. OPERATING LEASE – THE GROUP AS LESSEE

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

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Within one year	**15,654**	12,754
In the second to fifth year inclusive	**53,144**	51,017
Over five years	**286,968**	293,345
	355,766	357,116

43. CAPITAL COMMITMENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000 (restated)
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of property, plant and equipment	**2,712,020**	2,123,194
Capital expenditure contracted but not provided for in respect of:		
– acquisition of Qianyi Limited and its subsidiaries	**72,553**	–
– acquisition of property, plant and equipment	**220,142**	260,053

44. RELATED PARTY TRANSACTIONS

(a) Other than the transactions and balances with related parties disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the period:

	Notes	**Related parties**	**Six months ended 30 June 2012 RMB'000**	2011 RMB'000 (restated)
Income:				
– Sales of non-ferrous metals	*(i)*	Fellow subsidiaries	**251,987**	1,115,162
– Sales of services	*(i)*	Fellow subsidiaries	**305**	–
Expenses:				
– Transportation fees	*(i)*	Fellow subsidiaries	**26,554**	27,489
– Processing fees	*(i)*	Fellow subsidiaries	**23,377**	31,074
– Utilities fees	*(i)*	Fellow subsidiary	**142,023**	139,169
– Purchases of non-ferrous	*(i)*	Daye Corporation	**130,497**	248,218
metals	*(i)*	Fellow subsidiaries	**242,383**	340,868
	(i)	An associate of Daye Corporation	**–**	27,790
– Rental expense	*(i)*	Daye Corporation	**6,377**	6,378
– Medical service fees	*(i)*	Fellow subsidiary	**2,832**	5,230
– Interest expense	*(i), (ii)*	Daye Corporation	**48,598**	21,937
Capital expenditure:				
– Construction contract fees	*(i)*	Fellow subsidiaries	**203,363**	96,595
– Other service fees	*(i)*	Fellow subsidiaries	**2,396**	1,300

Notes:

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

(ii) The interest expense arose from unsecured loans from Daye Corporation. Further details of the loans at the end of the reporting period are set out in note 30.

(b) The key management personnel remuneration for the Group is set out in note 13.

(c) Certain of the Group's bank borrowings are guaranteed by Daye Corporation at nil consideration. Details of these bank borrowings are set out in note 30.

45. DETAILS OF SUBSIDIARIES

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

Name of subsidiaries	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Company as at 30 June 2012	31 December 2011	Principal activities
Prosper Well Group Limited *(Note (a))*	BVI 1 December 2010	US$1	**100%**	100%	Investment holding
Rainbow Treasure Holdings Limited *(Note (b))*	Hong Kong/ 30 November 2010	HK$1	**100%**	100%	Investment holding
Daye Non-ferrous Metals Co., Ltd. ("大冶有色金屬有限責任公司") *(Note (b))*	PRC/ 31 March 2005	RMB 1,490,977,877	**95.35%**	95.35%	Mining and processing of mineral ores and trading of metal concentrates
Daye Non-ferrous San You Industry Company Limited ("大冶有色三友實業有限責任公司") *(Note (b))*	PRC/ 22 May 1999	RMB 7,323,951	**85.18%**	85.18%	Ore processing and selling of metal products
Daye Non-ferrous Xingke Construction Works Quality Inspection Company Limited ("大冶有色興科建設工程質量檢測有限公司") *(Note (b))*	PRC/ 27 July 2006	RMB 1,000,000	**95.35%**	95.35%	Quality testing of construction projects
Daye Non-ferrous Design and Research Institute Company Limited ("大冶有色設計研究院有限公司") *(Note (b))*	PRC/ 1 June 2007	RMB 6,800,000	**95.35%**	95.35%	Research and development
Ample Year Limited *(Note (a))*	BVI/ 10 November 2004	US$1	**100%**	–	Investment holding
China National Recycling Int'l Trading Limited *(Note (b))*	Hong Kong/ 14 February 2005	HK$1	**100%**	–	Dormant

Name of subsidiaries	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Company as at 30 June 2012	31 December 2011	Principal activities
China Daye Hong Kong Investment Limited (Formerly: China National Information Resources Holdings Limited) *(Note (b))*	Hong Kong/ 29 January 2003	HK$2	**100%**	–	Trading
China National Resources Investments Limited *(Note (b))*	Hong Kong/ 30 June 1992	HK$2	**100%**	–	Dormant
China Reservoir Mining Limited *(Note (b))*	BVI/ 9 August 2011	US$10,000	**51%**	–	Investment holding
Fuken Investments Limited *(Note (b))*	BVI/ 5 March 2007	US$1	**100%**	–	Investment holding
Giant Strong International Limited *(Note (b))*	BVI/ 2 March 2007	US$3	**100%**	–	Investment holding
Gold Way Investment International Limited *(Note (b))*	Hong Kong/ 1 February 2007	HK$100	**100%**	–	Investment holding
Golden Brand Investments Limited *(Note (b))*	BVI/ 18 May 2007	US$1	**100%**	–	Investment holding
Goldright Finance Limited *(Note (a))*	BVI/ 18 February 2004	US$1	**100%**	–	Securities trading
Max Alliance International Limited *(Note (a))*	BVI/ 4 January 2010	US$1	**100%**	–	Investment holding
Max Alliance Gold Resource Investment Limited *(Note (b))*	Hong Kong/ 8 April 2010	HK$1	**100%**	–	Dormant
Reservoir (Mongolia) Limited *(Note (b))*	The Republic of Mongolia/ 4 November 2005	US$100,000	**51%**	–	Mineral exploitation
Jetlight Investment Limited *(Note (a))*	BVI/ 20 January 2006	US$1	**100%**	–	Investment holding

Name of subsidiaries	Place and date of incorporation	Issued and fully paid-up capital	Equity interest attributable to the Company as at 30 June 2012	31 December 2011	Principal activities
Keytrade Investments Limited *(Note (a))*	BVI/ 3 December 2004	US$1	**100%**	–	Security trading
Profit Jumbo Investment Limited *(Note (a))*	BVI/ 6 July 2007	US$1	**100%**	–	Investment holding
Shinemax Group Ltd. *(Note (a))*	BVI/ 13 March 2003	US$1	**100%**	–	Investment holding
Vintage International Financial Holding Group Limited *(Note (a))*	BVI/ 6 December 2007	US$1	**100%**	–	Investment holding
Xinjiang Hui Xiang Yong Jin Mining Co., Ltd. ("新疆滙祥永金礦業有限公司") *(Note (b))*	PRC/ 9 May 2007	RMB 121,000,000	**55%**	–	Mineral exploitation

Notes:

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

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

46. EVENT AFTER THE REPORTING PERIOD

On 3 August 2012, the Company was informed by Tong Xing that the mining license of the Mine has been granted to Tong Xing by the Department of Land and Resources of Xinjiang Uygur Autonomous Region for a period of two years from 4 May 2012 to 4 May 2014. Pursuant to the supplemental agreement with the Vendor dated 30 December 2010, the Company delivered the final payment of HK$89 million in the form of convertible notes to the Vendor on 8 August 2012.