



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 2016



Mineral Resources



HUBEI MINES

Daye City

- 1. Tonglvshan Mine
- 2. Tongshankou Mine

Yangxin County

- 3. Fengshan Mine
- 4. Chimashan Mine

XINJIANG MINES

Wuqia County

- 5. Sareke Copper Mine

Hami City

- 6. Hami Mine

Contents

Corporate Information	02
Management Discussion and Analysis	03
Corporate Governance and Other Information	11
Report on Review of Condensed Consolidated Financial Statements	17
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Condensed Consolidated Statement of Financial Position	21
Condensed Consolidated Statement of Changes in Equity	23
Condensed Consolidated Statement of Cash Flows	26
Notes to the Condensed Consolidated Financial Statements	28

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

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

Independent Non-executive

Directors:

Wang Guoqi
Wang Qihong
Liu Jishun

AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Wang Guoqi (*Chairman*)
Wang Qihong
Liu Jishun

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Lau Pok Yuen

LEGAL ADVISERS

As to Hong Kong law:

Paul Hastings

As to Bermuda law:

Conyers, Dill & Pearman

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18/F, No. 8 Queen's Road Central
Central, Hong Kong

PRINCIPAL REGISTRAR

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

HONG KONG BRANCH REGISTRAR

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

STOCK CODE

661

Management Discussion and Analysis

BUSINESS REVIEW

As the global economy has been undergoing in-depth adjustment amid weak demand and excess capacity, the non-ferrous metals industry has been under the pressure resulting from the economic downturn. The only way to get out of this predicament is to seek business transformation and upgrading and quality and efficiency enhancement. During the first half of 2016, China Daye Non-Ferrous Metals Mining Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) endeavored to overcome the difficulties resulting from continuous economic downturn and persistent weakness of non-ferrous metals industry and maintained a steady and rapid development momentum.

In the first half of 2016, the Group produced a total of (1) 200,967 tonnes of copper cathode, no material change when compared with the same period last year; (2) 559.7 tonnes of precious metals (including approximately 10,778 kg of gold, 541.4 tonnes of silver, 6 kg of platinum, 73.2 kg of palladium and 7.5 tonnes of tellurium), up by approximately 6.9% from the corresponding period of the previous year; (3) approximately 448,511 tonnes of chemical products (including 447,828 tonnes of sulphuric acid, 263 kg of ammonium perrhenate, 425 tonnes of copper sulfate, 174 tonnes of nickel sulphate and 84 tonnes of crude selenium), down by approximately 2.0% from the corresponding period of the previous year; and (4) 105,500 tonnes of iron concentrate, down by approximately 7.3% from the corresponding period of the previous year.

Management Discussion and Analysis

OUTLOOK

The Group will focus on boosting quality and efficiency through reform and innovation in the second half of 2016. To achieve the annual business objectives, the Group will continue to use its best endeavors in every aspect, including:

(1) Elaborately organise production according to market changes

The electrolysis systems of smelting plant shall be running at full capacity to ensure the fulfilment of the annual targets. The rare and precious metal plant shall fulfil the output targets of gold, silver and other products in an effective and efficient way and reasonably arrange production schedules for by-products according to market prices. For the Tonglvshan Mine, break-even price of copper and corresponding cut-off grade shall be determined and production and operation plans will be developed for the next three to five years. For the Fengshan Copper Mine, production activities shall be organised on a reasonable basis to accomplish the annual cost control target. As for the Sareke Copper Mine, preliminary work for mining operations at the southern mine shall be completed to lay a sound foundation for follow-up work.

(2) Accelerate the renovation projects of mines and major smelting systems

The construction of key infrastructure projects at each mine shall be accelerated to improve mining efficiency. The acid waste sludge treatment projects at smelting plant shall be completed and put into use by the end of the year so as to improve acid waste treatment. The construction works of the upgrade project for centralised scrap copper recycling with a capacity of 200,000 tonnes shall be completed as scheduled by the end of the year, and commence production by the end of 2017.

(3) Maintain production safety and environmental protection

The Group will continue to improve its flood control and heatstroke prevention measures and optimise its environmental tasks to ensure a stable production and operation environment.

Management Discussion and Analysis

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

Description of activities

The below table sets forth the exploration, development and mining activities conducted by the Group at each of our mines during the six months ended 30 June 2016:

Mines	Activities		
	Exploration	Development	Mining
Tonglvshan Mine	<ol style="list-style-type: none"> 1. Drilling depth of capacity upgrade reached 1,924.2 meters. 2. Drilling depth of continuation of integrated in-depth investigation and surrounding investigation of Tonglvshan Mine reached 3,135.8 meters. 	<p>From January 2016 to June 2016, the total drilling volume of the development of the middle portions of -785m and -845m and ramps mining preparations of No. XI ore body of Tonglvshan Mine was 5,527.32m³/58,258m³; from January 2016 to June 2016, the accumulative completed drilling volume of the development of Tonglvshan Mine -485m middle portion was 863.66m³/8,328.74m³.</p>	<p>Copper: 5,493 tonnes Gold: 288 kg Silver: 2,243 kg Iron concentrates: 105,500 tonnes</p>
Fengshan Mine	<ol style="list-style-type: none"> 1. Drilling depth of capacity upgrade reached 2,842.3 meters. 2. Drilling depth of geological investigation of east of No.7 Line of Fengshan Copper Mine reached 1,970.3 meters. 	<p>From January 2016 to June 2016, the total drilling volume of the development of -320m to -440m middle portion was 1,034.54m³/10,904m³.</p>	<p>Copper: 2,565 tonnes Gold: 68 kg Silver: 2,110 kg Molybdenum: 51 tonnes</p>
Tongshankou Mine	<p>Prepare capacity upgrade and alternative resources exploration report.</p>	<p>From January 2016 to June 2016, the accumulative completed drilling volume was 3,250.64m³/34,261.7m³.</p>	<p>Copper: 2,681 tonnes Silver: 1,017 kg</p>
Chimashan Mine	<p>Prepare alternative resources exploration report of Chimashan Copper Mine.</p>	<p>N/A</p>	<p>N/A</p>
Sareke Copper Mine	<ol style="list-style-type: none"> 1. The exploration primarily focused on drilling ore in the pit of the northern mine where drilling depth reached 1,935 meters. 2. The detailed surveys in southern mine of Sareke Copper Mine had completed field construction and was preparing the report of detailed surveys. 	<p>From January 2016 to June 2016, the completed drilling volume of well and tunnels was 6,810.7m³/88,453m³.</p>	<p>Trial production</p>
Hami Mine	<p>There was no material development during the six months ended 30 June 2016.</p>		

Management Discussion and Analysis

Infrastructure projects, subcontracting arrangements and purchases of equipment

During the six months ended 30 June 2016, the new contracts entered into and commitments undertaken by the Group in relation to exploration, development and mining production activities were as follows:

Mine	Infrastructure projects RMB'000	Subcontracting arrangements RMB'000	Purchase of equipment RMB'000	Total RMB'000
Tonglvshan Mine	77,508	–	3,910	81,418
Fengshan Mine	9,093	–	4,713	13,806
Tongshankou Mine	35,782	–	1,650	37,432
Chimashan Mine	–	–	–	–
Sareke Copper Mine	–	–	–	–
Hami Mine	–	–	–	–
Total	122,383	–	10,273	132,656

Expenditures incurred

During the six months ended 30 June 2016, the Group incurred approximately RMB727,388,000 (Six months ended 30 June 2015: RMB663,757,000) on exploration, development and mining production activities, details of which are set out below:

Mine	Operating expenses RMB'000	Capital expenditure RMB'000	Six months ended 30 June	
			2016 Total RMB'000	2015 Total RMB'000
Tonglvshan Mine	227,267	40,851	268,118	284,869
Fengshan Mine	91,535	17,487	109,022	107,304
Tongshankou Mine	134,949	104,929	239,878	223,931
Chimashan Mine	4,509	1,190	5,699	12,634
Sareke Copper Mine	77	104,594	104,671	35,019
Hami Mine	–	–	–	–
Total	458,337	269,051	727,388	663,757

Management Discussion and Analysis

Exploration, Development and Mining Expenditures

Unit: RMB'000

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine	Hami Mine
Exploration activities						
Drilling and analysis	-	3,103.77	-	839.62	-	-
Others	-	-	-	-	-	-
Sub-total	-	3,103.77	-	839.62	-	-
Development activities (including mine construction)						
Purchases of assets and equipment	10,341.47	1,371.29	6,669.36	-	3,659.10	-
Civil work for construction of tunnels and roads	29,245.43	12,662.18	92,407.01	-	84,394.00	-
Staff cost	-	-	-	-	16,541.15	-
Others	1,263.74	349.97	5,852.79	349.97	-	-
Sub-total	40,850.64	14,383.44	104,929.16	349.97	104,594.25	-
Mining activities (including ore processing)						
Auxiliary material	15,917.95	5,149.01	17,763.32	-	-	-
Power supply	19,246.34	9,137.58	11,597.59	-	-	-
Staff cost	68,050.79	34,914.39	33,632.83	2,210.43	-	-
Depreciation	49,275.59	10,650.71	40,185.78	-	-	-
Taxes, resource compensation	17,422.23	5,473.73	5,766.19	309.71	-	-
Sub-contracting service	16,713.69	5,871.50	3,272.60	-	-	-
Others (administrative fees, selling expenses, non-operating expenditures)	40,640.56	20,338.11	22,730.42	1,989.28	76.90	-
Sub-total	227,267.15	91,535.03	134,948.73	4,509.42	76.90	-
Total	268,117.79	109,022.24	239,877.89	5,699.01	104,671.15	-

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's revenue decreased by 2.0% to RMB17,994.5 million during the period over the same period last year of RMB18,363.0 million. The decrease in revenue was mainly attributable to the decline of average selling price of major products such as copper cathodes and other copper products. Gross profit margin was increased to about 1.8% for the period (six months ended 30 June 2015: 1.1%) and the increase in gross profit margin was mainly due to there being no write-down of inventories recognised for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB241.7 million) and enhancement of production efficiency of the Group.

Other gains and losses for the six months ended 30 June 2016 amounted to a net loss of approximately RMB29.3 million (six months ended 30 June 2015: a net loss of RMB142.8 million), representing a decrease of approximately 79.5% from the previous period. The decrease was primarily attributable to no impairment recognised in respect of mining rights during the period. For the six months ended 30 June 2015, the Group recognised losses on impairment for mining rights in relation to the Group's copper mines in Xinjiang Uygur Autonomous Region in view of the unfavourable future prospects of the relevant copper mines due to the forecasted low selling price of their copper products and expected decrease in profit margin as a result of the slowdown of the global economy.

Income tax expense for the six months ended 30 June 2016 amounted to approximately RMB79.7 million (six months ended 30 June 2015: income tax credit of RMB83.4 million). The increase in income tax expense mainly reflects the deferred tax effect relating to the write-down of inventories.

Management Discussion and Analysis

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group had restricted bank deposits, restricted deposits and bank balances, bank and other deposits, bank balances and cash of approximately RMB1,200.9 million (31 December 2015: RMB1,843.1 million), of which the majority were denominated in Renminbi, with a current ratio of 1.03 (31 December 2015: 1.01), based on the current assets of approximately RMB7,319.6 million (31 December 2015: RMB7,577.2 million) and current liabilities of approximately RMB7,117.0 million (31 December 2015: RMB7,467.2 million). The Group's gearing ratio was 370.40% (31 December 2015: 326.33%) based on the net debts (which includes bank and other borrowings and convertible note/bonds less restricted bank deposits, restricted deposits (excluding other deposits held in futures exchanges and certain financial institutions as security for the commodities derivative and currency forward contracts) and bank balances, bank and other deposits, bank balances and cash) of approximately RMB9,284.8 million (31 December 2015: RMB8,564.2 million) and equity attributable to owners of the Company of approximately RMB2,506.7 million (31 December 2015: RMB2,624.4 million). The increase in gearing ratio was mainly due to the effect of the loss for the period.

As at 30 June 2016, the Group had bank and other borrowings of approximately RMB3,372.7 million (31 December 2015: RMB3,579.4 million) and RMB6,184.9 million (31 December 2015: RMB5,259.3 million) which will be due within one year and after one year respectively. The majority of the Group's bank and other borrowings were denominated in Renminbi. The majority of the Group's bank and other borrowings bear interest at variable rates. The Group did not use derivative financial instruments to hedge its interest rate risk during the period.

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

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had a total of 7,230 employees (including Hong Kong and PRC offices) (30 June 2015: 8,853). The Group's total staff costs for the six months ended 30 June 2016 was approximately RMB308.8 million (six months ended 30 June 2015: RMB316.4 million). 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.

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 certain borrowings that are denominated in US\$.

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

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not make any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2016.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2016, other deposits which amounted to RMB129.8 million (31 December 2015: RMB138.3 million) were held in futures exchanges and certain financial institutions as security for the commodities derivative and currency forward contracts, and other financing were secured by bank deposits and balances amounting to RMB134.1 million (31 December 2015: RMB411.0 million).

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Company's listed securities.

INTERIM DIVIDEND

The board of directors (the "Board") of the Company (the "Directors") has resolved not to declare any interim dividend for the six months ended 30 June 2016 (Six months ended 30 June 2015: Nil).

BOARD OF DIRECTORS

Composition of the Board

During the six months ended 30 June 2016, the Board comprised four executive Directors (including the Chairman of the Board) and three independent non-executive Directors, as follows:

Name of Director	Date of first appointment to the Board
Executive Directors	
Zhang Lin (<i>Chairman</i>)	22 March 2012
Long Zhong Sheng (<i>Chief Executive Officer</i>)	22 March 2012
Zhai Baojin	22 March 2012
Tan Yaoyu	22 March 2012
Independent Non-Executive Directors	
Wang Qihong	21 April 2006
Wang Guoqi	21 April 2006
Liu Jishun	31 July 2014

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2016, the interests 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 Issuers ("Model Code") were as follows:

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

Notes:

1. Mr. Wang Qihong is deemed to be interested in 1,000,000 shares through the interests of his spouse, Ms. Geng Shuang, pursuant to Part XV of the SFO.
2. The percentage of shareholding is calculated based on 17,895,579,706 issued shares of the Company as at 30 June 2016.

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2016, so far as 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/ underlying shares	Approximate percentage of total shares in issue as at 30 June 2016
China Times Development Limited	Beneficial owner	13,970,671,176 shares (Note 1)	78.07% (Note 4)
Daye Nonferrous Metals Group Holding Co., Ltd.	Interest in a controlled corporation	13,970,671,176 shares (Notes 1 and 2)	78.07% (Note 4)
China Cinda (HK) Asset Management Co., Limited	Beneficial owner	936,953,542 shares	5.24% (Note 4)
China Cinda Asset Management Co., Limited	Interest in a controlled corporation	936,953,542 shares (Note 3)	5.24% (Note 4)

Notes:

1. Includes 2,007,672,096 shares which may be issued upon the exercise of convertible bonds.
2. These shares were held by China Times Development Limited, the entire issued capital of which was beneficially owned by Daye Nonferrous Metals Group Holding Co., Ltd..
3. These shares were held by China Cinda (HK) Asset Management Co., Limited, the entire issued capital of which was beneficially owned by China Cinda Asset Management Co., Limited.
4. These percentages are calculated based on 17,895,579,706 issued shares of the Company as at 30 June 2016.

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2016, the Directors are not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

EQUITY

As at 30 June 2016, the total number of issued and fully paid ordinary shares of the Company was 17,895,579,706 of nominal value of HK\$0.05 each, amounting to a total issued share capital of approximately HK\$894,779,000.

AUDIT COMMITTEE

The Company has established an audit committee with specific written terms of reference for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee of the Company (the "**Audit Committee**") currently comprises three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun. The Audit Committee has reviewed the interim report of the Company for the six months ended 30 June 2016.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the interim financial information of the Group for the six months ended 30 June 2016 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “**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 currently comprises three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun.

NOMINATION COMMITTEE

The Company has established a nomination committee (the “**Nomination Committee**”) with specific terms of reference.

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying individuals suitable and qualified to become Board members and making recommendations to the Board (regarding the selection of individuals nominated for directorship, the appointment of the Directors and their succession planning, with due regard to the Nomination Committee’s board diversify policy) and assessing the independence of the independent non-executive Directors.

The Nomination Committee currently comprises one executive Director, namely Mr. Zhang Lin, and three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun.

Corporate Governance and Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of conduct regarding securities transactions by the directors of the Company. All Directors have confirmed, following specific enquiries made by the Company, that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company had complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**CG Code**”) throughout the six months ended 30 June 2016, save for the deviation as summarised below:

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

DISCLOSURE UNDER LISTING RULES

In accordance with paragraph 40 of Appendix 16 to the Listing Rules, save as disclosed herein, there has been no material change in the current information regarding the Company from the information disclosed in the 2015 Annual Report of the Company in relation to matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF CHINA DAYE NON-FERROUS METALS MINING LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed 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 19 to 52, which comprise the condensed consolidated statement of financial position as at 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2015 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	4, 5	17,994,461	18,362,966
Cost of sales and services rendered		(17,671,420)	(18,161,961)
Gross profit		323,041	201,005
Other income	6	53,661	52,378
Selling expenses		(18,611)	(24,667)
Administrative expenses		(182,332)	(187,723)
Other operating expenses		(5,443)	(7,671)
Other gains and losses	7	(29,315)	(142,810)
Finance costs	8	(219,928)	(258,841)
Share of results of joint ventures		35,980	41,207
Loss before tax		(42,947)	(327,122)
Income tax (expense)/credit	9	(79,713)	83,442
Loss for the period	10	(122,660)	(243,680)
Other comprehensive expense:			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Share of net gain on revaluation of available-for-sale financial assets of joint ventures reclassified for inclusion in profit or loss upon disposal during the period			
		–	(71,164)
Other comprehensive expense for the period		–	(71,164)
Total comprehensive expense for the period		(122,660)	(314,844)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(117,745)	(200,258)
Non-controlling interests		(4,915)	(43,422)
		(122,660)	(243,680)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(117,745)	(271,422)
Non-controlling interests		(4,915)	(43,422)
		(122,660)	(314,844)
Loss per share	12		
– Basic		RMB(0.66) fen	RMB(1.14) fen
– Diluted		RMB(0.66) fen	RMB(1.14) fen

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	7,197,751	7,244,278
Exploration and evaluation assets		130,388	125,045
Prepaid lease payments		704,063	701,497
Intangible assets		588,271	605,210
Interests in joint ventures		76,399	40,419
Deferred tax assets	14	150,847	230,818
Restricted bank deposits	17, 20	39,000	–
Deposits for acquisition of property, plant and equipment		47,056	47,733
		8,933,775	8,995,000
CURRENT ASSETS			
Prepaid lease payments		20,878	20,443
Inventories		4,811,960	4,662,894
Trade and bills receivables	15	382,928	298,800
Prepayments and other receivables	16	616,402	746,772
Derivative financial instruments	21	224,827	5,201
Short-term investments	22	100,691	–
Restricted deposits and bank balances	17	224,919	549,236
Bank and other deposits, bank balances and cash	17	936,989	1,293,899
		7,319,594	7,577,245
CURRENT LIABILITIES			
Trade and bills payables	18	1,748,021	1,657,143
Other payables and accrued expenses	19	1,155,040	1,472,135
Bank and other borrowings	20	3,372,697	3,579,419
Derivative financial instruments	21	37,438	82,109
Convertible note/bonds	23	798,323	669,908
Early retirement obligations		5,350	5,630
Income tax payable		145	866
		7,117,014	7,467,210
NET CURRENT ASSETS		202,580	110,035
TOTAL ASSETS LESS CURRENT LIABILITIES		9,136,355	9,105,035

Condensed Consolidated Statement of Financial Position

At 30 June 2016

		At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
	Notes		
CAPITAL AND RESERVES			
Share capital		727,893	727,893
Share premium and reserves		1,778,805	1,896,550
Equity attributable to owners of the Company		2,506,698	2,624,443
Non-controlling interests		154,493	159,408
TOTAL EQUITY		2,661,191	2,783,851
NON-CURRENT LIABILITIES			
Bank and other borrowings	20	6,184,856	5,259,341
Convertible note	23	–	760,451
Deferred income		235,305	243,720
Provisions for mine rehabilitation, restoration and dismantling		42,177	41,554
Early retirement obligations		12,826	15,839
Deferred tax liabilities	14	–	279
		6,475,164	6,321,184
		9,136,355	9,105,035

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Equity attributable to owners of the Company											
	Share capital RMB'000	Other reserve RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Convertible bonds equity reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits/(accumulated losses) RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2015												
(unaudited)												
At 1 January 2015 (audited)	705,506	1,554,303	-	4,373,075	(4,184,848)	106,600	281,298	71,164	20,348	618,325	373,296	3,919,067
Loss for the period	-	-	-	-	-	-	-	-	-	(200,258)	(43,422)	(243,680)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(71,164)	-	-	-	(71,164)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(71,164)	-	(200,258)	(43,422)	(314,844)
Issue of new ordinary shares upon conversion of convertible bonds (Note 23)	22,387	-	103,786	-	-	-	-	-	-	-	-	126,173
Reclassification due to change of functional currency of the Company	-	-	-	-	-	-	(131,064)	-	(20,348)	151,412	-	-
Appropriation of maintenance and production funds	-	-	-	-	-	29,733	-	-	-	(29,733)	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(25,812)	-	-	-	25,812	-	-
At 30 June 2015 (unaudited)	727,893	1,554,303	103,786	4,373,075	(4,184,848)	110,521	150,234	-	-	565,558	329,874	3,730,396

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Equity attributable to owners of the Company								Total equity RMB'000			
	Share capital RMB'000	Other reserve RMB'000	Share premium RMB'000	Share contributed surplus RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Convertible bonds equity reserve RMB'000	Translation reserve RMB'000		Retained profits/ losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000
Six months ended 30 June 2016												
(unaudited)												
At 1 January 2016 (audited)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	106,600	104,639	5,876	(187,687)	2,624,443	159,408	2,783,851
Loss and total comprehensive expense for the period	-	-	-	-	-	-	-	-	(117,745)	(117,745)	(4,915)	(122,660)
Redemption of convertible bonds (Note 23)	-	-	-	-	-	-	(104,639)	-	104,639	-	-	-
Appropriation of maintenance and production funds	-	-	-	-	-	27,233	-	-	(27,233)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(24,306)	-	-	24,306	-	-	-
At 30 June 2016 (unaudited)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	109,527	-	5,876	(203,720)	2,506,698	154,493	2,661,191

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

Note:

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

Statutory surplus reserve

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

Specific reserve for maintenance and production funds

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	55,704	285,626
NET CASH USED IN INVESTING ACTIVITIES		
Interest received	28,932	46,559
Payments for property, plant and equipment	(340,667)	(261,770)
Proceeds from disposal of property, plant and equipment	139	296
Repayment from joint ventures	33,990	1,524
Placement of restricted bank deposits and bank balances	(1,042,479)	(1,951,563)
Release of restricted bank deposits and bank balances	1,327,796	1,006,863
Other investing cash flows	(19,707)	(5,839)
	(11,996)	(1,163,930)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		
Proceeds from new borrowings	3,025,683	9,482,747
Repayments of borrowings	(2,515,332)	(8,644,363)
Repayment of convertible bonds	(684,000)	-
Advance from Daye Non-ferrous Metals Group Holding Co., Ltd. ("Daye Group", an intermediate holding company)	716,214	501,118
Repayment to Daye Group	(500,000)	(89,863)
Advance from Daye Non-ferrous Metals Group Finance Co., Ltd. ("Daye Finance Company", a fellow subsidiary)	100,000	279,000
Repayment to Daye Finance Company	(114,138)	(250,675)
Repayment to a joint venture	(231,784)	(96,322)
Interest paid	(199,773)	(171,050)
	(403,130)	1,010,592

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(359,422)	132,288
Cash and cash equivalents at beginning of the period	1,293,899	1,401,186
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	2,512	(353)
Cash and cash equivalents at end of the period, represented by:		
Bank and other deposits, bank balances and cash	936,989	1,533,121

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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

The condensed consolidated financial statements are presented in Renminbi (“RMB”), the currency of the primary economic environment in which most of the group entities operate.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2015.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE

Revenue 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	
	2016	2015
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Sale of goods	17,978,001	18,342,942
Rendering of services	16,460	20,024
	17,994,461	18,362,966

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

5. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The CODM of the Company regularly reviews revenue by respective products and services and the consolidated financial statements of the Group prepared in accordance with HKFRSs as a whole. However, no further discrete financial information is available. Accordingly, no operating segment information is presented other than entity-wide disclosures.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods:		
Copper cathodes	11,919,848	12,028,253
Other copper products	438,919	554,578
Gold and other gold products	3,643,969	3,691,587
Silver and other silver products	1,757,548	1,640,533
Sulphuric acid and sulphuric concentrate	52,827	120,330
Iron ores	52,467	33,408
Others	112,423	274,253
	17,978,001	18,342,942
Rendering of services:		
Copper processing	13,852	20,024
Others	2,608	–
	16,460	20,024
Total revenue	17,994,461	18,362,966

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

5. SEGMENT INFORMATION – CONTINUED

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	For the six months ended 30 June 2016 RMB’000 (unaudited)	2015 RMB’000 (unaudited)	At 30 June 2016 RMB’000 (unaudited)	At 31 December 2015 RMB’000 (audited)
PRC	17,994,461	17,862,191	8,709,847	8,722,641
Hong Kong*	–	500,775	33,854	41,290
Mongolia	–	–	227	251
	17,994,461	18,362,966	8,743,928	8,764,182

* Revenue generated from Hong Kong represents sale of non-ferrous metals. During the current interim period, no sales were made due to the market fluctuation of the non-ferrous metals trading market. In the opinion of the Directors, the Group will continue to conduct the above trading business in Hong Kong in the future.

6. OTHER INCOME

	Six months ended 30 June	
	2016 RMB’000 (unaudited)	2015 RMB’000 (unaudited)
Interest income	28,688	34,531
Value-added tax refund	–	8,765
Government grants*	1,100	1,431
Deferred income recognised	8,978	7,651
Others	14,895	–
	53,661	52,378

* The government grants mainly represented subsidies for interest incurred on imported copper ores.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Loss on disposal of property, plant and equipment, net	(704)	(233)
Impairment recognised in respect of mining rights*	–	(125,987)
Fair value changes from:		
Commodity derivatives contracts	999	58,189
Currency forward contracts	14,965	2,656
Gold loans and silver loans designated as financial liabilities at fair value through profit or loss	(8,943)	(29,741)
Reversal of impairment loss/ (impairment loss) on:		
Trade receivables	–	40
Other receivables	(633)	(738)
Fair value gain/(loss) on derivative component of convertible note	18,821	(27,391)
Exchange losses, net	(44,114)	(20,135)
Premium on redemption of convertible bonds (Note 23)	(10,397)	–
Others	691	530
Total other gains and losses	(29,315)	(142,810)

- * For the six months ended 30 June 2015, the Group recognised losses on impairment for mining rights in relation to the Group's copper mines in Xinjiang Uygur Autonomous Region in view of the unfavourable future prospects of the relevant copper mines due to the forecasted low selling price of their copper products and expected decrease in profit margin as a result of the slowdown of the global economy.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

8. FINANCE COSTS

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Interest on bank and other borrowings	(137,421)	(138,066)
Interest on loans from Daye Group	(42,056)	(55,478)
Interest on loans from Daye Finance Company	(9,110)	(7,845)
Interest on convertible note/bonds	(46,439)	(67,195)
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	(623)	(1,405)
Total borrowing costs	(235,649)	(269,989)
Less: Borrowing costs capitalised in the cost of qualifying assets	15,721	11,148
	(219,928)	(258,841)

9. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	(21)	–
Hong Kong	–	–
Deferred tax (Note 14)	(79,692)	83,442
	(79,713)	83,442

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment**	266,935	264,532
Amortisation of intangible assets**	18,120	14,285
Amortisation of prepaid lease payments**	10,439	10,223
Employee benefits expense:		
Salaries, wages and welfare	246,997	220,307
Retirement benefit schemes contributions	61,798	96,061
Total staff costs	308,795	316,368
Cost of sale and services rendered:		
Cost of inventories recognised as an expense*	17,661,103	18,097,113
Direct operating expense arising from services provided	10,317	64,848
	17,671,420	18,161,961
Research costs recognised as an expense	2,746	1,889
Minimum lease payments in respect of land and buildings	7,396	6,522

* Included in cost of inventories are write-down of inventories of RMB241,740,000 (unaudited) (six months ended 30 June 2016: nil) during the six months ended 30 June 2015, which is mainly attributable to the decline in the price of certain raw materials.

** During the current interim period, depreciation of property, plant and equipment of RMB252,126,000 (unaudited) (six months ended 30 June 2015: RMB249,070,000 (unaudited)), and amortisation of intangible assets and prepaid lease payments totaling RMB14,611,000 (unaudited) (six months ended 30 June 2015: RMB13,801,000 (unaudited)) was capitalised to inventories.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

11. DIVIDENDS

No dividend was paid, declared or proposed during the current interim period (six months ended 30 June 2015: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(117,745)	(200,258)
Number of ordinary shares		
Number of ordinary shares for the purpose of basic loss per share ('000)	17,895,580	17,490,560

The computation of diluted loss per share for the six months ended 30 June 2016 and 2015 does not assume the conversion of the Company's outstanding convertible note and convertible bonds during the periods since their exercise would result in a decrease in loss per share for both periods.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB340,667,000 (unaudited) (six months ended 30 June 2015: RMB261,770,000 (unaudited)) for construction costs for copper mines and for acquisition of plant and equipment.

In addition, during the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB843,000 (unaudited) (six months ended 30 June 2015: RMB529,000 (unaudited)) for cash proceeds of RMB139,000 (unaudited) (six months ended 30 June 2015: RMB296,000 (unaudited)), resulting in a loss on disposal of RMB704,000 (unaudited) (six months ended 30 June 2015: RMB233,000 (unaudited)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

14. DEFERRED TAXATION

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

Deferred tax assets

	Accrued expenses RMB'000	Provision for mine rehabilitation, restoration and dismantling RMB'000	Early retirement obligations RMB'000	Impairment losses RMB'000	Write-down of inventories RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015 (audited)	20,361	10,086	7,402	28,658	5,360	5,677	10,406	87,950
(Charged)/credited to profit or loss	(2,181)	151	(1,138)	(8,550)	60,435	-	(7,553)	41,164
At 30 June 2015 (unaudited)	18,180	10,237	6,264	20,108	65,795	5,677	2,853	129,114
At 1 January 2016 (audited)	13,128	10,389	5,300	58,820	158,430	12,900	9,351	268,318
(Charged)/credited to profit or loss	(2,284)	171	(632)	158	(149,770)	72,000	(552)	(80,909)
At 30 June 2016 (unaudited)	10,844	10,560	4,668	58,978	8,660	84,900	8,799	187,409

Deferred tax liabilities

	Mining rights RMB'000	Convertible note/bonds RMB'000	Total RMB'000
At 1 January 2015 (audited)	(94,000)	(27,071)	(121,071)
Credited to profit or loss	36,750	5,528	42,278
At 30 June 2015 (unaudited)	(57,250)	(21,543)	(78,793)
At 1 January 2016 (audited)	(37,500)	(279)	(37,779)
Credited to profit or loss	938	279	1,217
At 30 June 2016 (unaudited)	(36,562)	-	(36,562)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

14. DEFERRED TAXATION – CONTINUED

For the purpose of presentation in the condensed 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 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Deferred tax assets	150,847	230,818
Deferred tax liabilities	–	(279)
	150,847	230,539

15. TRADE AND BILLS RECEIVABLES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade receivables	273,388	136,594
Less: Allowance of doubtful debts	(10,353)	(10,353)
	263,035	126,241
Bills receivable:		
Bills receivable on hands	57,840	23,468
Endorsed to suppliers	40,053	55,730
Discounted to Daye Finance Company	–	59,138
Discounted to banks	22,000	34,223
	119,893	172,559
Total trade and bills receivables	382,928	298,800

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

15. TRADE AND BILLS RECEIVABLES – CONTINUED

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 to 1 year after delivery.

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

The following is an ageing analysis of trade receivables, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised, net of allowance of doubtful debts.

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Within 1 year	262,339	111,732
More than 1 year, but less than 2 years	501	14,168
More than 2 years, but less than 3 years	–	195
Over 3 years	195	146
	263,035	126,241

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

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Fellow subsidiaries	157,609	1,423
Daye Group	–	88,748

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

16. PREPAYMENTS AND OTHER RECEIVABLES

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

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Prepayments made to fellow subsidiaries	13,983	19,469
Amounts due from Daye Group	6,212	–
Amounts due from joint ventures	154,628	188,618

The amounts due from Daye Group and joint ventures are unsecured, interest-free and are repayable on demand.

17. BANK AND OTHER DEPOSITS, BANK BALANCES AND CASH

Restricted deposits and balances

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Classified under current assets:		
Bank deposits (Note (a))	–	400,000
Bank balances (Note (b))	95,127	10,980
Other deposits (Note (c))	129,792	138,256
	224,919	549,236
Classified under non-current assets:		
Bank deposits (Note (d))	39,000	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17. BANK AND OTHER DEPOSITS, BANK BALANCES AND CASH – CONTINUED

Notes:

- (a) The bank deposits as at 31 December 2015 were pledged to banks as security for certain banking facilities of a joint venture. The related borrowings were fully repaid during the current period.
- (b) Bank balances represent pledged bank deposits for corporate credit card and balances held in designated bank accounts as security for the Group's bills payables and letters of credit.
- (c) Other deposits represent deposits in margin accounts held in Shanghai Future Exchange and other futures exchanges and certain financial institutions as security for the commodities derivative and currency forward contracts.
- (d) The bank deposits as at 30 June 2016 were pledged to a financing company as security for the borrowings of the Group, details are set out in Note 20.

Bank and other deposits, bank balances and cash

As at 30 June 2016, the amount included deposits in Daye Finance Company of RMB369,592,000 (unaudited) (31 December 2015: RMB575,591,000), which bear interest at rate ranging from 0.53% to 1.15% (31 December 2015: 1.15% to 1.49%) per annum and repayable on demand.

18. TRADE AND BILLS PAYABLES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Trade payables	1,207,021	1,657,143
Bills payables	541,000	–
	1,748,021	1,657,143

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

18. TRADE AND BILLS PAYABLES – CONTINUED

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

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Within 1 year	1,155,092	1,634,751
More than 1 year, but less than 2 years	35,609	14,551
More than 2 years, but less than 3 years	8,539	225
Over 3 years	7,781	7,616
	1,207,021	1,657,143

The maturity period of bills payables is within 6 months.

Included in the Group's trade and bills payables as at 30 June 2016 were payables to fellow subsidiaries of RMB47,566,000 (unaudited) (31 December 2015: RMB259,477,000). The payables to fellow subsidiaries are unsecured, interest-free and repayable according to respective purchase contracts.

19. OTHER PAYABLES AND ACCRUED EXPENSES

Included in the Group's other payables as at 30 June 2016 were payables to Daye Group and a joint venture of RMB21,430,000 (unaudited) (31 December 2015: RMB18,853,000) and RMB14,282,000 (unaudited) (31 December 2015: RMB246,066,000), respectively. The payables to Daye Group and a joint venture are unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

20. BANK AND OTHER BORROWINGS

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Bank borrowings, unsecured	5,212,220	5,728,792
Other borrowings:		
Loans from Daye Group, unsecured*	1,718,249	1,504,612
Loans from Daye Finance Company, unsecured*	418,000	373,000
Advance from Daye Finance Company for discounted bills	–	59,138
Advance from banks for discounted bills	22,000	34,223
Gold loans	1,687,084	1,134,663
Silver loans	–	4,332
Other loan**	500,000	–
	9,557,553	8,838,760
Less: Amounts due within one year shown under current liabilities	(3,372,697)	(3,579,419)
Amounts shown under non-current liabilities	6,184,856	5,259,341
Fixed-rate borrowings	3,998,608	4,802,427
Variable-rate borrowings	5,558,945	4,036,333
Total borrowings	9,557,553	8,838,760

* The loans from Daye Group bear interests ranging from 3.92% to 6.15% (31 December 2015: 4.98% to 6.15%) per annum and are repayable in various maturity dates up to 1 January 2020. The loans from Daye Finance Company bear interests ranging from 3.92% to 5.61% (31 December 2015: 3.92% to 5.61%) per annum and are repayable within one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

20. BANK AND OTHER BORROWINGS – CONTINUED

** On 23 December 2015, the Group entered into an agreement with a financing company whereby the Group has agreed to transfer the ownership of certain equipment to the financing company (the “Equipment”) at a consideration of RMB500,000,000 and lease back the Equipment for a period of 8 years subject to the terms and conditions of the agreement. The transaction was completed in January 2016.

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

The above other loan was pledged by the Group’s bank deposits of RMB39,000,000.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Current Assets		Current Liabilities	
	At 30 June 2016 RMB’000 (unaudited)	At 31 December 2015 RMB’000 (audited)	At 30 June 2016 RMB’000 (unaudited)	At 31 December 2015 RMB’000 (audited)
Carried at fair value:				
– Copper futures contracts	3,393	2,251	749	7,617
– Copper option contracts	–	–	2,368	172
– Gold forward contracts	208,077	–	–	–
– Gold futures contracts	–	826	9,519	72,016
– Gold option contracts	–	–	1,497	–
– Silver futures contracts	–	2,124	23,305	696
– Currency forward contracts	13,357	–	–	1,608
	224,827	5,201	37,438	82,109

The Group uses commodity derivative contracts as an economic hedge of its commodity price risk and its exposure to variability in fair value changes attributable to price fluctuation risk associated with certain copper, gold and silver products. Commodity derivative contracts utilised by the Group include standardised copper futures contracts in Shanghai Futures Exchange and other futures exchanges. Besides, the Group also entered into currency forward contracts with certain banks to hedge certain of its currency risk arising from certain of its bank loans denominated in United States Dollar. The Group did not formally designate or document the hedging transactions with respect to the commodity derivative contracts and foreign currency forward contracts. Therefore, those transactions were not designated for hedge accounting.

Details of fair value measurement are disclosed in Note 26 to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

22. SHORT-TERM INVESTMENTS

As at 30 June 2016, the Group's short-term investments represented investments in wealth management product issued by a reputable bank in the PRC. These investments were principal-protected, with expected annual return at the rate of 3.5% with maturity of less than one year.

23. CONVERTIBLE NOTE/BONDS

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Debt component:		
HK\$1,003,836,048 zero coupon convertible note (the "Note")	798,145	741,452
RMB820,000,000 0.5% convertible bonds (the "Bonds")*	–	669,908
	798,145	1,411,360
Derivative component of the Note	178	18,999
	798,323	1,430,359
Less: Amounts shown under current liabilities	(798,323)	(669,908)
	–	760,451
Amount shown under non-current liabilities	–	760,451

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

24. OPERATING LEASE COMMITMENTS – THE GROUP AS LESSEE

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

As at 30 June 2016, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Within one year	16,042	15,917
In the second to fifth year, inclusive	51,767	53,630
Over five years	229,574	242,328
	297,383	311,875

25. CAPITAL COMMITMENTS

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Capital expenditure contracted but not provided for in respect of: Acquisition of property, plant and equipment	551,162	646,729

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about the level of the fair value hierarchy into which fair value measurements are categorised (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market 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 asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2016 (unaudited)				
Financial assets				
Derivative financial instruments	–	224,827	–	224,827
Financial liabilities				
Derivative financial instruments	–	37,438	–	37,438
Derivative component of convertible note	–	–	178	178
Gold loans	–	1,687,084	–	1,687,084
At 31 December 2015 (audited)				
Financial assets				
Derivative financial instruments	–	5,201	–	5,201
Financial liabilities				
Derivative financial instruments	–	82,109	–	82,109
Derivative component of convertible note	–	–	18,999	18,999
Gold loans	–	1,134,663	–	1,134,663
Silver loans	–	4,332	–	4,332

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

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

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

		Fair value		Fair value hierarchy	Valuation technique
		At 30 June 2016	At 31 December 2015		
		RMB'000 (unaudited)	RMB'000 (audited)		
Copper futures contracts:	Assets	3,393	2,251	Level 2	Note 1
	Liabilities	749	7,617	Level 2	Note 1
Copper option contracts:	Liabilities	2,368	172	Level 2	Note 1
Gold futures contracts:	Assets	–	826	Level 2	Note 1
	Liabilities	9,519	72,016	Level 2	Note 1
Gold forward contracts:	Assets	208,077	–	Level 2	Note 1
Gold option contracts:	Liabilities	1,497	–	Level 2	Note 1
Silver futures contracts:	Assets	–	2,124	Level 2	Note 1
	Liabilities	23,305	696	Level 2	Note 1
Currency forward contracts:	Assets	13,357	–	Level 2	Note 2
	Liabilities	–	1,608	Level 2	Note 2
Gold loans:	Liabilities	1,687,084	1,134,663	Level 2	Note 1
Silver loans:	Liabilities	–	4,332	Level 2	Note 1
Derivative component of convertible note	Liabilities	178	18,999	Level 3	Note 3

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

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

Notes:

- (1) Calculating by reference to the quoted prices in an active market.
- (2) Discounted cash flows, future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties
- (3) Binominal model with key assumptions including the Company's share price, volatility of the Company's share prices and discount rate, input such as volatility is deducted from the quoted price of the convertible note. The higher of the volatility, the higher the fair value. The higher of the discount rate, the lower the fair value. Fair value gain of RMB18,821,000 (six months ended 30 June 2015: fair value loss of RMB27,391,000 (unaudited)) on derivative component of convertible note are included in "other gains and losses".

There were no transfers between Level 1 and 2 for the current and prior interim periods.

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

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost recognised in the condensed consolidated financial statements approximate their fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

27. RELATED PARTY TRANSACTIONS

Transactions and balances with PRC government-related entities

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

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

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

	Notes	Related parties	Six months ended 30 June	
			2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Income:				
Sales of non-ferrous metals	(i)	Daye Group	95,505	36
	(i)	Fellow subsidiaries	661,694	142,139
Sales of other materials	(i)	Daye Group	49	65
	(i)	Fellow subsidiaries	30,821	61,556
Rendering of services	(i)	Daye Group	1	2
	(i)	Fellow subsidiaries	877	133
Interest income	(iii)	Daye Finance Company	3,928	800
Rental income for leasing of properties	(i)	Daye Group	6,212	–
		Fellow subsidiaries	337	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

27. RELATED PARTY TRANSACTIONS – CONTINUED

Transactions and balances with PRC government-related entities – continued

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

	Notes	Related parties	Six months ended 30 June	
			2016 RMB'000	2015 RMB'000
Expenses:				
Transportation fees	(i)	An associate of Daye Group	1,455	1,480
Utilities fees	(i) (i)	Fellow subsidiaries An associate of Daye Group	131,699 –	149,509 135
Medical service fees	(i)	Fellow subsidiaries	–	54
Purchases of non-ferrous metals	(i) (i) (i)	Daye Group Fellow subsidiaries An associate of Daye Group	14,660 269,949 –	614,899 75,338 46,749
Rental expense for leasing of lands and properties	(i) (i)	Daye Group Fellow subsidiaries	4,251 445	12,754 –
Interest expense	(ii)	Daye Group Daye Finance Company	42,056 9,110	55,478 7,845
Purchase of accommodation, catering, conference and other services	(i)	An associate of Daye Group	84	–
Capital expenditures:				
Construction contract fees	(i)	Fellow subsidiaries	214,924	49,360
Other service fees	(i) (i)	Daye Group Fellow subsidiaries	– 39,667	574 122,029

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

27. RELATED PARTY TRANSACTIONS – CONTINUED

Transactions and balances with PRC government-related entities – continued

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

Notes:

- (i) These transactions were conducted in accordance with terms of the relevant agreements.
- (ii) The interest expense arose from unsecured loans from Daye Group and Daye Finance Company. Further details of the loans at the end of the reporting period are set out in Note 20.
- (iii) The interest income arose from the deposits placed with Daye Finance Company. Further details of the balance at the end of the reporting period are set out in Note 17.

Transactions with other PRC government-related entities

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

Compensation of key management personnel of the Group

The key management personnel of the Group includes the Directors (which are also top executives of the Company). The remuneration of certain of the Directors was borne by Daye Group during the current and prior interim period.