



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)

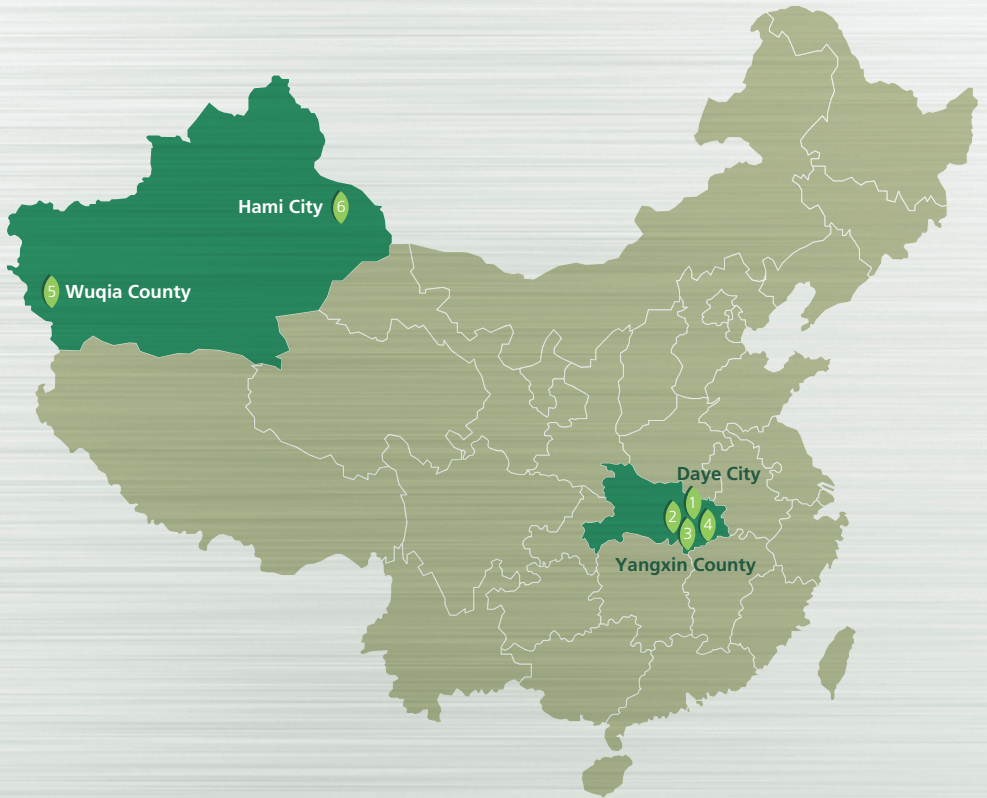
Stock Code : 00661

Interim Report

2017



Mineral Resources



HUBEI MINES	XINJIANG MINES
Daye City 1. Tonglvshan Mine 2. Tongshankou Mine	Wuqia County 5. Sareke Copper Mine
Yangxin County 3. Fengshan Mine 4. Chimashan Mine	Hami City 6. Hami Mine

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Tan Yaoyu (*appointed as the Chairman on 1 September 2017*)

Long Zhong Sheng
(*Chief Executive Officer*)

Zhai Baojin

Zhang Lin (*resigned on 18 May 2017*)

Independent Non-executive

Directors:

Wang Guoqi

Wang Qihong

Liu Jishun

AUDIT COMMITTEE/ REMUNERATION COMMITTEE

Wang Guoqi (*Chairman*)

Wang Qihong

Liu Jishun

NOMINATION COMMITTEE

Tan Yaoyu (*appointed as the Chairman on 1 September 2017*)

Wang Guoqi

Wang Qihong

Liu Jishun

Zhang Lin (*resigned on 18 May 2017*)

COMPANY SECRETARY

Lau Pok Yuen

LEGAL ADVISERS

As to Hong Kong law:

Paul Hastings

As to Bermuda law:

Conyers Dill & Pearman

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

Hang Seng Bank Limited

Standard Chartered Bank (Hong Kong)
Limited

Bank of Communications Co., Limited

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

In the first half of 2017, China Daye Non-Ferrous Metals Mining Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) carried out the work arrangements made at the beginning of the year, endeavoured to overcome the impact of the accident at Tonglvshan Mine and maintained good momentum for stable production and operation.

Production and operation were running smoothly, with improved efficiency year-on-year

In the first half of 2017, the Group produced a total of (1) 224,203 tonnes of copper cathode, an increase of approximately 11.6% over the same period last year; (2) 491.2 tonnes of precious metals (including approximately 9,448 kg of gold, 469.5 tonnes of silver, 6 kg of platinum, 90 kg of palladium and 12.2 tonnes of tellurium), a decrease of approximately 12.2% over the same period last year; (3) approximately 465,974 tonnes of chemical products (including 464,805 tonnes of sulphuric acid, 210 kg of ammonium perrhenate, 912 tonnes of copper sulfate, 181 tonnes of nickel sulphate and 76 tonnes of crude selenium), an increase of approximately 3.9% over the same period last year; and (4) 94,150 tonnes of iron concentrate, a decrease of approximately 10.8% over the same period last year.

As to the mines, with the support of the provincial and municipal governments at all levels, the dam body at Tonglvshan Mine was joined together and emergency repair was completed ahead of schedule so that normal production was restored rapidly. The decrease in mined copper output was controlled within 1,500 tonnes for the year. Production arrangement at Fengshan Mine was further optimized to strengthen production as well as prospecting simultaneously and recovering remnant ores, so that the output of mined copper, molybdenum and other major products was all completed far ahead of schedule, while copper concentrate was upgraded as well when compared with the same period last year.

With respect to the smelting plant and the rare and precious metal plant, the smelting plant enhanced the operation of its systems, while the utilization rate of running the Ausmelt furnace system was increased when compared with the same period last year. The control of major economic indicators at the rare and precious metal plant was optimized, and the direct recovery rate for palladium, selenium and tellurium outperformed the level for the same period last year.

Management Discussion and Analysis

Stringent management awareness was stepped up, while management level continued to improve

Safety management was improved by carrying out the project for closing the tailings storage facility of Tongshankou Mine and by appointing the China Academy of Safety Science and Technology to conduct geological disaster investigation and monitoring of the tailings storage facilities, open pits and mining waste discharge sites, underground karst caves, goaf areas and other sites. For some priority work such as safety during flood seasons, acid water treatment and management of items such as gunpowder and explosives for civil purposes, a special programme was developed and personnel were assigned to take charge of it to strengthen safety management. Having scientific and technological innovation toned up, two technical achievements passed the scientific and technological achievement evaluation conducted by the China Non-Ferrous Metals Industry Association, indicating that our integrated technology for mining and ore processing recovery reached the international advanced level.

Key projects were accelerated, while sustained momentum of development was further enhanced

The construction of key mine projects was accelerated, with the completion of a number of mine development activities at Tonglvshan Mine, Tongshankou Mine and Fengshan Mine. Having performed well on the development of mineral resources, we accelerated the progress of key projects at various mines, smelting plant and rare and precious metal plant to ensure the sustainable and stable development of the Group. We improved our infrastructure works at various mines to make sure that each production process is replaced smoothly by another successive one so as to extend the service life of mines.

OUTLOOK

In the second half of 2017, the Group will still encounter a very complex production and operation situation. Despite positive changes to the world economy, various factors such as slackened consumption, weak investment and localized regional political turmoil will drag down the pace of economic growth, and the economy will still be subject to greater downside pressure. China's economy is at a key period during which new growth drivers are replacing old ones and the economy is transforming and upgrading. It is difficult for the non-ferrous metals industry to fundamentally improve its supply and demand in the short term. Despite price increases in the major products, current consumption remains mediocre and is lack of sufficient support.

Management Discussion and Analysis

The Group will focus on the principal business and on improving quality and efficiency to ensure that the production and operation targets for the year are attained. In the second half of 2017, the Group will perform well in every aspect, including, among other things:

Provided safety is ensured, the mine units will keep abreast of the market trend and strengthen lean production. Tonglvshan Mine will strive to keep the annual output target of 10,000 tonnes of mined copper, and to speed up the implementation of all tailings-filling projects to work out a complete solution to tailings. Fengshan Mine will maintain a good production situation, step up the recovery of remnant ores and low-grade ores, and speed up the construction progress for key projects in the northern and southern margins to ensure that the daily ore supply from the northern and southern margins is not less than 2,000 tonnes. The production arrangement programme for Tongshankou Mine will be optimized to achieve the average daily mining and stripping amount of not less than 2,700 m³ to ensure that there is continuous production through open-cast mining.

The smelting plant and the rare and precious metal plant will strengthen dynamic calculation, arrange production in a reasonable manner and increase the output of products with benefits. The rare and precious metal plant and the smelting plant will make reference to the domestic leading players in the industry seriously and solidly carry out benchmarking across the industry chain of the smelting plant and the rare and precious metal plant. Production will be arranged in line with the adjusted output target to ensure stable operation of the system. The smelting plant will step up the processing of raw materials with benefits, expand the production capacity of the electrolytic plate system, extend the service life of the Ausmelt furnace and improve the converter technology process. The rare and precious metal plant will further strive for breakthrough in technical and economic indicators, strengthen the estimation of benefits, appropriately adjust gold and silver output and tone up the sales of selenium dioxide and other by-products.

The pace of transformation and upgrading as well as the underground infrastructure for key mine projects will be accelerated to create production capacity as soon as possible to ensure that the mines can accomplish the planned mining tasks for the year. The Group's integrated recycling project with a capacity of 200,000 tonnes of scrap copper will be completed and put into operation by the end of the year.

Management Discussion and Analysis

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

Description of activities

The below table sets forth the exploration, development and mining production activities conducted by the Group at each of our mines during the six months ended 30 June 2017:

Mines	Exploration activities	Development activities	Mining production activities
Tonglvshan Mine	<ol style="list-style-type: none"> 1. Drilling depth of capacity upgrade reached 1,334.5m. 2. Drilling depth of continuation of integrated in-depth investigation and surrounding investigation of Tonglvshan Mine reached 4,490.8m. 	The completed drilling volume for the development works of No. XI ore body of Tonglvshan Mine was 30,000m ³ , the loaded trial run of the water pump for the -965m middle portion and the installation of 2 water pumps in the water pump room for the -1,120m middle portion were completed; the accumulative completed drilling volume of the development for the -545m to -605m middle portion of Tonglvshan Mine was 8,000m ³ .	Copper: 4,177 tonnes Gold: 205 kg Silver: 1,680 kg Iron concentrates: 94,150 tonnes
Fengshan Mine	Prepared reports for capacity upgrade and geological investigation of east of No.7 Line.	The accumulative completed drilling volume of the development for the -320m to -440m middle portion of Fengshan Mine was 8,128m ³ .	Copper: 2,511 tonnes Gold: 72 kg Silver: 2,197 kg Molybdenum: 42 tonnes
Tongshankou Mine	Horizontal drilling reached 1,581m, and pit drilling reached 511.8m/5,704.4m ³ .	The accumulative completed drilling volume for the development of the -220m to -280m middle portion of Tongshankou Mine was 35,000m ³ .	Copper: 2,065 tonnes Silver: 544 kg
Chimashan Mine	No significant progress was made for the six months ended 30 June 2017.		
Sareke Copper Mine	<ol style="list-style-type: none"> 1. The exploration primarily focused on the pit of the northern mine where horizontal drilling reached 2,137.9m, and pit drilling reached 313m/3,956.3m³. 2. Southern mine has entered into initial design phase. 	For the Sareke Copper Mine, the total completed drilling volume was 1,417.7m ³ /18,543.5m ³ , of which the accumulative completed drilling volume for the development of the -2,640m to -2,655m portion was 818.4m ³ /10,900.3m ³ ; the accumulative completed drilling volume for the development of the -2,670m to -2,730m middle portion was 433.3m ³ /5,671.8m ³ ; the accumulative completed drilling volume for the development of the -2,805m to -2,850m portion was 166.0m ³ /1,971.4m ³ .	Copper: 4,454 tonnes Silver: 3,529 kg
Hami Mine	No significant progress was made for the six months ended 30 June 2017.		

Management Discussion and Analysis

Infrastructure projects, subcontracting arrangements and purchases of equipment

During the six months ended 30 June 2017, 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	Subcontracting arrangements	Purchase of equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Tonglvshan Mine	37,413	–	11,423	48,836
Fengshan Mine	20,178	–	1,033	21,211
Tongshankou Mine	149	–	1,144	1,293
Chimashan Mine	–	–	–	–
Sareke Copper Mine	–	–	–	–
Hami Mine	–	–	–	–
Total	57,740	–	13,600	71,340

Expenditures incurred

During the six months ended 30 June 2017, the Group incurred approximately RMB690,203,000 (six months ended 30 June 2016: RMB727,388,000) 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	
			2017 Total RMB'000	2016 Total RMB'000
Tonglvshan Mine	224,643	36,580	261,223	268,118
Fengshan Mine	95,765	7,166	102,931	109,022
Tongshankou Mine	116,717	85,414	202,131	239,878
Chimashan Mine	2,976	–	2,976	5,699
Sareke Copper Mine	109,252	11,690	120,942	104,671
Hami Mine	–	–	–	–
Total	549,353	140,850	690,203	727,388

Management Discussion and Analysis

Exploration, development and mining production activities expenditures
Unit: RMB'000

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine	Hami Mine
Exploration activities						
Drilling and analysis	4,717	1,877	396	-	-	-
Others	-	-	-	-	-	-
Sub-total	4,717	1,877	396	-	-	-
Development activities (including mine construction)						
Purchases of assets and equipment	12,649	105	1,104	-	1,698	-
Civil work for construction of tunnels and roads	17,342	4,771	75,011	-	9,992	-
Staff cost	-	-	-	-	-	-
Others	1,872	413	8,903	-	-	-
Sub-total	31,863	5,289	85,018	-	11,690	-
Mining production activities (including ore processing)						
Auxiliary material	17,268	7,145	10,462	-	6,445	-
Power supply	18,251	9,077	9,394	-	7,136	-
Staff cost	60,525	35,371	30,321	1,480	17,932	-
Depreciation	51,813	11,411	40,804	-	35,415	-
Taxes, resource compensation	8,579	5,611	4,146	310	4,729	-
Sub-contracting service	14,452	4,350	-	-	-	-
Others (administrative expenses, selling expenses, non-operating expenditures)	53,755	22,800	21,590	1,186	37,595	-
Sub-total	224,643	95,765	116,717	2,976	109,252	-
Total	261,223	102,931	202,131	2,976	120,942	-

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's revenue increased by 3.0% to RMB18,530.0 million during the period over the same period last year of RMB17,994.5 million. The increase in revenue was mainly attributable to the increase in the sales of other copper products. Gross profit margin was increased to about 1.9% for the period (six months ended 30 June 2016: 1.8%) and the increase in gross profit margin was mainly due to the improvement in the production effectiveness.

Other operating expenses for the six months ended 30 June 2017 amounted to RMB197.0 million (six months ended 30 June 2016: RMB5.4 million), representing an increase of 3,548.1% from the previous period. The increase was primarily attributable to the provision for early retirement obligations of RMB186.7 million recognised during the period.

Income tax credit for the six months ended 30 June 2017 amounted to RMB41.1 million (six months ended 30 June 2016: income tax expense of RMB79.7 million). The income tax credit mainly reflects the deferred tax effect relating to the early retirement obligations.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had restricted bank deposits, restricted deposits and bank balances, bank and other deposits, bank balances and cash of RMB1,123.7 million (31 December 2016: RMB1,191.4 million), of which the majority were denominated in Renminbi ("RMB"), with a current ratio of 1.01 (31 December 2016: 1.02), based on the current assets of RMB8,289.9 million (31 December 2016: RMB6,810.9 million) and current liabilities of RMB8,205.5 million (31 December 2016: RMB6,644.8 million). The Group's gearing ratio was 431.7% (31 December 2016: 345.4%) based on the net debts (which includes bank and other borrowings, promissory note and convertible note less restricted bank deposits, restricted deposits (excluding other deposits held in futures exchanges and certain financial institutions as security for the commodities derivative, gold forward contracts and currency forward contracts) and bank balances, bank and other deposits, bank balances and cash) of RMB10,185.8 million (31 December 2016: RMB8,499.2 million) and equity attributable to owners of the Company of RMB2,359.4 million (31 December 2016: RMB2,461.0 million). The increase in gearing ratio was mainly due to the increase in bank and other borrowings when compared with the same period last year and the effect of the loss for the period.

As at 30 June 2017, the Group had bank and other borrowings of RMB5,079.4 million (31 December 2016: RMB2,488.3 million) and RMB5,258.0 million (31 December 2016: RMB6,293.3 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 RMB. The majority of the Group's bank and other borrowings bear interest at fixed 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 2017, the Group had a total of 6,677 employees (30 June 2016: 7,230). The Group's total staff costs for the six months ended 30 June 2017 was approximately RMB486.7 million (six months ended 30 June 2016: RMB308.8 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 2017.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group provided guarantees to banks in favour of a joint venture of the Group in respect of the banking facilities provided by the banks to that joint venture, further details of which are disclosed in note 29 to the condensed consolidated financial statements.

CHARGES ON ASSETS

As at 30 June 2017, other deposits which amounted to RMB80.6 million (31 December 2016: RMB28.4 million) were held in futures exchanges and certain financial institutions as security for the commodities derivative, gold forward contracts and currency forward contracts, and other financing were secured by bank deposits and balances amounting to RMB186.3 million (31 December 2016: RMB46.3 million). Short-term investments which amounted to RMB500 million (31 December 2016: Nil) were pledged to a bank as security for bank borrowings of the Group.

Corporate Governance and Other Information

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the date of the Company's 2016 annual report of 31 March 2017 are set out below:

In August 2017, Mr. Zhai Baojin, an executive director of the Company, has been appointed as the chairman of Daye Nonferrous Metals Group Holding Co., Ltd., an intermediate holding company of the Company, and Daye Nonferrous Metals Co., Ltd, a subsidiary of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, 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 2017 (six months ended 30 June 2016: Nil).

BOARD OF DIRECTORS

Composition of the Board

As at 30 June 2017, the Board comprised three executive Directors and three independent non-executive Directors, as follows:

Name of Director	Date of first appointment to the Board
Executive Directors	
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	13 January 2006
Wang Guoqi	13 January 2006
Liu Jishun	31 July 2014

As disclosed in the announcement of the Company dated 1 September 2017, Mr. Tan Yaoyu has been appointed as the chairman of the Board with effect from 1 September 2017.

Corporate Governance and Other Information

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

As at 30 June 2017, 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	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 2017.

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

Notes:

1. These shares were held by China Times Development Limited, the entire issued capital of which was beneficially owned by Daye Nonferrous Metals Group Holding Co., Ltd.
2. These shares were held by China Cinda (HK) Asset Management Co., Limited, the entire issued capital of which was beneficially owned by China Cinda Asset Management Co., Limited.
3. These percentages are calculated based on 17,895,579,706 issued shares of the Company as at 30 June 2017.

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2017, the Directors are not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under section 336 of the SFO.

EQUITY

As at 30 June 2017, 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 (the “**Audit Committee**”) with specific written terms of reference for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun. The Audit Committee has reviewed the interim report of the Company for the six months ended 30 June 2017.

The Company’s independent auditor, Deloitte Touche Tohmatsu, has reviewed the condensed consolidated interim financial information of the Group for the six months ended 30 June 2017 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.

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.

Corporate Governance and Other Information

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, Mr. Tan Yaoyu, who has been appointed as the chairman of the Nomination Committee with effect from 1 September 2017, and three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun.

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 2017.

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 2017, save for the deviations 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.

Corporate Governance and Other Information

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

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

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 2016 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

Deloitte.

德勤

**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 2017 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue	4, 5	18,530,007	17,994,461
Cost of sales and services rendered		(18,180,947)	(17,671,420)
Gross profit		349,060	323,041
Other income	6	30,042	53,661
Selling expenses		(28,596)	(18,611)
Administrative expenses		(167,222)	(182,332)
Other operating expenses		(197,025)	(5,443)
Other gains and losses	7	14,576	(29,315)
Finance costs	8	(193,703)	(219,928)
Share of results of joint ventures		49,662	35,980
Loss before tax		(143,206)	(42,947)
Income tax credit/(expense)	9	41,116	(79,713)
Loss and total comprehensive expense for the period	10	(102,090)	(122,660)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		(101,512)	(117,745)
Non-controlling interests		(578)	(4,915)
		(102,090)	(122,660)
Loss per share	12		
– Basic		RMB(0.57)fen	RMB(0.66)fen
– Diluted		RMB(0.57)fen	RMB(0.66)fen

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	7,361,885	7,550,233
Exploration and evaluation assets		76,873	63,427
Prepaid lease payments		712,089	693,460
Intangible assets		649,043	637,768
Interests in joint ventures		98,200	48,538
Deferred tax assets	14	223,136	182,020
Restricted bank deposits	18	39,000	39,000
Long term deposits		73,598	70,710
		9,233,824	9,285,156
CURRENT ASSETS			
Prepaid lease payments		21,238	20,951
Inventories	15	5,835,555	4,806,747
Trade and bills receivables	16	357,966	423,874
Prepayments, deposits and other receivables	17	435,119	337,489
Derivative financial instruments	22	55,348	69,431
Short-term investments	23	500,000	–
Restricted deposits and bank balances	18	227,903	35,691
Bank and other deposits, bank balances and cash	18	856,815	1,116,752
		8,289,944	6,810,935
CURRENT LIABILITIES			
Trade and bills payables	19	2,029,721	2,032,182
Other payables and accrued expenses	20	994,816	1,041,550
Bank and other borrowings	21	5,079,376	2,488,269
Derivative financial instruments	22	54,632	197,845
Convertible note	24	–	880,609
Early retirement obligations	26	46,910	4,380
		8,205,455	6,644,835
NET CURRENT ASSETS		84,489	166,100
TOTAL ASSETS LESS CURRENT LIABILITIES		9,318,313	9,451,256

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		727,893	727,893
Share premium and reserves		1,631,554	1,733,066
Equity attributable to owners of the Company		2,359,447	2,460,959
Non-controlling interests		157,562	158,140
TOTAL EQUITY		2,517,009	2,619,099
NON-CURRENT LIABILITIES			
Bank and other borrowings	21	5,257,992	6,293,293
Promissory note	25	891,537	–
Payables for purchase of property, plant and equipment		259,802	259,802
Provisions for mine rehabilitation, restoration and dismantling		43,443	42,801
Deferred income		217,245	225,661
Early retirement obligations	26	131,285	10,600
		6,801,304	6,832,157
		9,318,313	9,451,256

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Equity attributable to owners of the Company											
	Share capital	Other reserve	Share premium	Contributed surplus	Capital reserve	Statutory reserves	Convertible bonds equity reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2017												
(unaudited)												
At 1 January 2017 (audited)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	106,600	-	5,876	(246,532)	2,460,959	158,140	2,619,099
Loss and total comprehensive expense for the period	-	-	-	-	-	-	-	-	(101,512)	(101,512)	(578)	(102,090)
Appropriation of maintenance and production funds	-	-	-	-	-	28,803	-	-	(28,803)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(12,066)	-	-	12,066	-	-	-
At 30 June 2017 (unaudited)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	123,337	-	5,876	(664,781)	2,359,447	157,562	2,517,009
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	-	-	-	-	-	-	(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 Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(609,344)	55,704
NET CASH USED IN INVESTING ACTIVITIES		
Interest received	11,205	28,932
Payments for property, plant and equipment	(241,414)	(340,667)
Payments for exploration and evaluation assets	(18,220)	(5,343)
Payments for intangible assets	(31,148)	–
Payments for prepaid lease payments	(29,535)	–
Payments for short-term investments	(500,000)	–
Proceeds from disposal of property, plant and equipment	218	139
Repayments from joint ventures	106,708	33,990
Placement of restricted bank deposits and bank balances	(327,530)	(1,042,479)
Withdrawal of restricted bank deposits and bank balances	135,318	1,327,796
Other investing cash flows	–	(14,364)
	(894,398)	(11,996)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from new bank borrowings	3,016,899	1,639,435
Repayments of bank borrowings	(2,289,224)	(1,888,792)
Proceeds from other loans	–	500,000
Repayments of other loans	(500)	–
Repayment of convertible bonds	–	(684,000)
Loans from Daye Nonferrous Metals Group Holding Co., Ltd. ("Daye Group", an intermediate holding company)	681,578	716,214
Repayment of loans from Daye Group	(378,744)	(500,000)
Loans from Daye Nonferrous Metals Group Finance Co., Ltd. ("Daye Finance Company", a fellow subsidiary)	90,000	100,000
Repayment of loans from Daye Finance Company	(190,000)	(114,138)
Proceeds from gold loans	1,519,179	886,248
Repayments of gold loans	(1,032,466)	(550,847)
Repayment to a joint venture	(454)	(231,784)
Finance costs paid	(181,313)	(199,773)
Other financing cash flows	11,503	(75,693)
	1,246,458	(403,130)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(257,284)	(359,422)
Cash and cash equivalents at beginning of the period	1,116,752	1,293,899
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(2,653)	2,512
Cash and cash equivalents at end of the period, represented by:		
Bank and other deposits, bank balances and cash	856,815	936,989

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. GENERAL INFORMATION

China Daye Non-Ferrous Metals Mining Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The 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”).

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 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 annual financial statements for the year ended 31 December 2016.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value as disclosed in Note 30, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the Group’s annual financial statements for the year ended 31 December 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 mandatorily effective for the current interim period:

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>As part of the Annual Improvements to HKFRSs 2014-2016 Cycle</i>

The application of these 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the Group’s consolidated financial statements for the year ending 31 December 2017.

4. REVENUE

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

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

	Six months ended 30 June	
	2017	2016
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Sales of goods	18,496,737	17,978,001
Rendering of services	33,270	16,460
	18,530,007	17,994,461

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5. SEGMENT INFORMATION

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

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

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Sales of goods:		
Copper cathodes	10,396,637	11,919,848
Other copper products	1,282,996	438,919
Gold and other gold products	4,216,339	3,643,969
Silver and other silver products	2,320,847	1,757,548
Sulphuric acid and sulphuric concentrate	77,246	52,827
Iron ores	49,392	52,467
Others	153,280	112,423
	18,496,737	17,978,001
Rendering of services:		
Copper processing	29,573	13,852
Others	3,697	2,608
	33,270	16,460
Total revenue	18,530,007	17,994,461

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 information about its non-current assets (excluding deferred tax assets and financial instruments) by location of assets are detailed below:

	At 30 June 2017 RMB’000 (unaudited)	At 31 December 2016 RMB’000 (audited)
PRC	8,872,823	9,014,861
Hong Kong	98,666	49,050
Mongolia	199	225
	8,971,688	9,064,136

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

	Six months ended 30 June 2017 RMB’000 (unaudited)	2016 RMB’000 (unaudited)
PRC	18,397,132	17,616,535
Hong Kong	132,875	247,339
Others	–	130,587
	18,530,007	17,994,461

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

6. OTHER INCOME

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Interest income from banks	7,376	24,760
Interest income from Daye Finance Company	3,829	3,928
Government grants (Note)	3,222	1,100
Deferred income recognised	9,028	8,978
Rental income	6,587	6,549
Others	–	8,346
	30,042	53,661

Note: The government grants in the current interim period mainly represented subsidies for research and development expenses of which the relevant expenses had been previously charged to profit or loss. The government grants in the prior period mainly represented subsidies for interest incurred on imported copper ores.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Fair value changes from:		
Commodity derivatives contracts	2,385	999
Currency forward contracts	(33,411)	14,965
Gold forward contracts	166,836	208,077
Gold loans designated as financial liabilities at fair value through profit or loss	(168,222)	(217,020)
Reversal of impairment loss/(impairment loss), net, on:		
Trade receivables	11	–
Other receivables	211	(633)
Loss on disposal of property, plant and equipment, net	(25)	(704)
Fair value gain on derivative component of convertible note	1	18,821
Premium on redemption of convertible bonds	–	(10,397)
Exchange gains/(losses), net	51,672	(44,114)
Others	(4,882)	691
	14,576	(29,315)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

8. FINANCE COSTS

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Interest on bank and other borrowings	134,201	137,421
Interest on loans from Daye Group	28,820	42,056
Interest on loans from Daye Finance Company	7,861	9,110
Interest on loans from a fellow subsidiary	2,616	–
Interest on convertible note/bonds	17,210	46,439
Interest on promissory note (Note 25)	13,458	–
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	642	623
Unwind interest of early retirement obligations (Note 26)	2,186	–
Total borrowing costs	206,994	235,649
Less: Borrowing costs capitalised in the cost of qualifying assets	(13,291)	(15,721)
	193,703	219,928

9. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	–	21
Deferred tax (Note 14)	(41,116)	79,692
	(41,116)	79,713

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Employee benefits expense (including directors' remuneration):		
Salaries, wages and welfare	223,654	246,997
Retirement benefit schemes contributions	76,307	61,798
Provision for early retirement obligations (Note 26)***	186,700	–
Total staff costs*	486,661	308,795
Cost of sale and services rendered:		
Cost of inventories recognised as an expense	18,157,698	17,661,103
Direct operating expense arising from services provided	23,249	10,317
	18,180,947	17,671,420
Depreciation of property, plant and equipment**	304,907	266,935
Amortisation of intangible assets**	24,647	18,120
Amortisation of prepaid lease payments**	10,619	10,439

* During the current interim period, staff costs of RMB271,666,000 (unaudited) (six months ended 30 June 2016: RMB260,948,000 (unaudited)) was capitalised to inventories.

** During the current interim period, depreciation of property, plant and equipment of RMB288,321,000 (unaudited) (six months ended 30 June 2016: RMB252,126,000 (unaudited)), and amortisation of intangible assets and prepaid lease payments totaling RMB15,320,000 (unaudited) (six months ended 30 June 2016: RMB14,611,000 (unaudited)) was capitalised to inventories.

*** The provision was included in "other operating expenses".

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during both the current and prior interim period, nor has any dividend been proposed since the end of the reporting period and up to the date of this report.

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	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(101,512)	(117,745)
	'000	'000
Number of ordinary shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	17,895,580	17,895,580

The computation of diluted loss per share for the six months ended 30 June 2017 and 2016 did not assume the conversion of the Company's outstanding convertible note during the six months ended 30 June 2017 and convertible note and convertible bonds during the six months ended 30 June 2016, respectively, since their exercise would result in a decrease in loss per share for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB241,414,000 (unaudited) (six months ended 30 June 2016: RMB340,667,000 (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 RMB243,000 (unaudited) (six months ended 30 June 2016: RMB843,000 (unaudited)) for cash proceeds of RMB218,000 (unaudited) (six months ended 30 June 2016: RMB139,000 (unaudited)), resulting in a loss on disposal of RMB25,000 (unaudited) (six months ended 30 June 2016: RMB704,000 (unaudited)).

14. DEFERRED TAXATION

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 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Deferred tax assets	223,136	182,020

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

14. DEFERRED TAXATION – CONTINUED

Deferred tax assets

	Accrued expenses RMB'000	Provision for mine rehabilitation, restoration and dismantling RMB'000	Early retirement obligations RMB'000	Impairment losses RMB'000	Write-down of inventories RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016 (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
At 1 January 2017 (audited)	13,694	10,700	3,704	59,327	8,280	117,972	3,968	217,645
(Charged)/credited to profit or loss	(1,686)	160	40,766	(83)	(1,630)	-	2,651	40,178
At 30 June 2017 (unaudited)	12,008	10,860	44,470	59,244	6,650	117,972	6,619	257,823

Deferred tax liabilities

	Mining rights RMB'000	Convertible bonds RMB'000	Total RMB'000
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)
At 1 January 2017 (audited)	(35,625)	-	(35,625)
Credited to profit or loss	938	-	938
At 30 June 2017 (unaudited)	(34,687)	-	(34,687)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

15. INVENTORIES

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Raw materials	1,285,156	947,689
Work in progress	1,078,095	1,402,899
Finished goods	866,774	835,508
Goods in transit	2,605,530	1,620,651
	5,835,555	4,806,747

16. TRADE AND BILLS RECEIVABLES

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Trade receivables	263,213	298,967
Less: Allowance of doubtful debts	(10,511)	(10,522)
	252,702	288,445
Bills receivables:		
Bills receivable on hand	63,000	40,201
Endorsed to suppliers	38,264	54,228
Discounted to Daye Finance Company	4,000	2,000
Discounted to banks	–	39,000
	105,264	135,429
Total trade and bills receivables	357,966	423,874

The majority of sales are made under contractual arrangements whereby a significant portion of amount of each sale is received before delivery or promptly after delivery and the remainder is received within 6 months to 1 year after delivery.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

16. TRADE AND BILLS RECEIVABLES – CONTINUED

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Within 1 year	83,383	272,382
More than 1 year, but less than 2 years	154,988	1,832
More than 2 years, but less than 3 years	13,990	13,890
Over 3 years	341	341
	252,702	288,445

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Fellow subsidiaries	159,392	244,703

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 2017

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Prepayments made to fellow subsidiaries	250	17,766
Prepayments made to Daye Group	–	244
Amounts due from joint ventures of the Group	33,957	140,665

Included in the above amounts due from joint ventures as at 31 December 2016 was an amount due from a joint venture of RMB100,000,000 which bore interest at 4.60% per annum and was fully repaid during the current interim period. The remaining amounts due from joint ventures are unsecured, interest-free and repayable on demand.

18. BANK AND OTHER DEPOSITS, BANK BALANCES AND CASH

Restricted deposits and bank balances

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Classified under current assets:		
Bank deposits (Note (a))	111,852	–
Bank balances (Note (b))	35,470	7,250
Other deposits (Note (c))	80,581	28,441
	227,903	35,691
Classified under non-current assets:		
Bank deposits (Note (d))	39,000	39,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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

Notes:

- (a) The bank deposits as at 30 June 2017 were pledged to a bank as security for the Group's letters of guarantee for purchase of raw materials. Such deposits earn interest at a fixed rate of 4.15% per annum.
- (b) These bank balances are held in designated bank accounts as security for the Group's bills payable and letters of credit. Such bank balances earn interest at floating rates based on daily bank deposit rates.
- (c) Other deposits represent deposits in margin accounts held in Shanghai Future Exchange, other futures exchanges and certain financial institutions as security for the commodities derivative, gold forward contracts and currency forward contracts.
- (d) The bank deposits as at 30 June 2017 were pledged to Daye Finance Company as security for the other loans of the Group, which are not repayable within one year (Note 21). These deposits bear interest at a fixed rate of 3.58% per annum.

Bank and other deposits, bank balances and cash

As at 30 June 2017, the amounts included saving deposits in Daye Finance Company of RMB253,074,000 (unaudited) (31 December 2016: RMB649,847,000), which bear interest at rates ranging from 0.53% to 1.50% (31 December 2016: 0.53% to 1.50%) per annum.

19. TRADE AND BILLS PAYABLES

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Trade payables	2,029,721	1,750,521
Bills payables	–	281,661
	2,029,721	2,032,182

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

19. TRADE AND BILLS PAYABLES – CONTINUED

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Within 1 year	2,006,431	1,729,314
More than 1 year, but less than 2 years	13,975	12,673
More than 2 years, but less than 3 years	1,235	898
Over 3 years	8,080	7,636
	2,029,721	1,750,521

The maturity period of bills payables was within 12 months based on the invoice date.

Included in the Group's trade and bills payables as at 30 June 2017 were payables to fellow subsidiaries and associates of Daye Group of RMB20,829,000 (unaudited) (31 December 2016: RMB38,491,000) and RMB10,260,000 (unaudited) (31 December 2016: Nil), respectively. The payables to the above related parties are unsecured, interest-free and repayable according to respective purchase contracts.

20. OTHER PAYABLES AND ACCRUED EXPENSES

Included in the Group's other payables as at 30 June 2017 were payables to Daye Group and a joint venture of the Group of RMB30,853,000 (unaudited) (31 December 2016: RMB32,812,000) and RMB14,935,000 (unaudited) (31 December 2016: RMB15,389,000), respectively. The payables to Daye Group and a joint venture of the Group are unsecured, interest-free and repayable on demand.

Also included in the Group's other payables as at 30 June 2017 were payables for purchase of property, plant and equipment to fellow subsidiaries of RMB457,346,000 (unaudited) (31 December 2016: RMB491,672,000) in relation to the construction work conducted by these fellow subsidiaries. These amounts are unsecured, interest-free and repayable in accordance with the terms of the relevant construction contracts.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

21. BANK AND OTHER BORROWINGS

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Bank borrowings:		
Secured by short-term investments (Note 23)	500,000	–
Unsecured	5,178,314	4,950,639
Other borrowings:		
Loans from Daye Group, unsecured*	1,322,152	1,019,318
Loans from Daye Finance Company, unsecured*	318,000	418,000
Loans from a fellow subsidiary, unsecured*	122,350	114,488
Advance from Daye Finance Company for discounted bills	4,000	2,000
Advance from banks for discounted bills	–	39,000
Gold loans	2,393,552	1,738,617
Other loans secured by bank deposits (Note 18(d))	499,000	499,500
	10,337,368	8,781,562
Less: Amounts due within one year shown under current liabilities	(5,079,376)	(2,488,269)
Amounts shown under non-current liabilities	5,257,992	6,293,293
Fixed-rate borrowings	5,769,335	4,577,589
Variable-rate borrowings	4,568,033	4,203,973
Total borrowings	10,337,368	8,781,562

* The loans from Daye Group bear interests ranging from 1.20% to 6.15% (31 December 2016: 1.20% to 6.15%) per annum and are repayable in various maturity dates up to 24 December 2025. The loans from Daye Finance Company bear interests ranging from 3.90% to 5.00% (31 December 2016: 3.92% to 5.61%) per annum and are repayable in various maturity dates up to 29 September 2018. The loans from a fellow subsidiary bear a three-year interest rate quoted by People's Bank of China per annum and are repayable on 11 January 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

21. BANK AND OTHER BORROWINGS – CONTINUED

The Directors consider that as at 30 June 2017 the carrying amounts of borrowings and related interest payable amounting to RMB39,186,000 (unaudited) (31 December 2016: RMB33,543,000) recognised in the condensed consolidated financial statements approximate to their fair values.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Current Assets		Current Liabilities	
	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Carried at fair value:				
– Copper futures contracts	55,348	42,659	9,231	5,408
– Copper option contracts	–	–	696	–
– Gold futures contracts	–	724	1,446	–
– Gold forward contracts	–	–	25,601	192,437
– Silver futures contracts	–	2,821	7,474	–
– Currency forward contracts	–	23,227	10,184	–
	55,348	69,431	54,632	197,845

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 30 to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

23. SHORT-TERM INVESTMENTS

As at 30 June 2017, 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 4.40% with maturity of less than one year.

The short-term investments are pledged to a bank as security for bank borrowings of the Group of RMB500,000,000 (Note 21).

24. CONVERTIBLE NOTE

On 7 March 2012, the Group issued convertible note in the aggregate principal amount of HK\$1,003,836,048 (the "Note") to China Times Development Limited ("China Times") in relation to a restructuring arrangement of the Group. China Times became the immediate holding company of the Company after the restructuring. The Note matured on 7 March 2017 (the "Maturity Date") and was redeemed in full by the issuance of a promissory note by the Company to China Times for the Renminbi equivalent of the outstanding principal amount of the Note of RMB891,537,000 (Note 25).

25. PROMISSORY NOTE

A promissory note with a principal amount of RMB891,537,000 was issued to China Times on 7 March 2017 (the "Promissory Note") to settle the redemption of the Note upon maturity (Note 24), which had taken effect on the Maturity Date (the "Effective Date"). China Times and the Company have acknowledged and agreed that the issue of the Promissory Note will constitute full satisfaction of the amount payable by the Company to China Times on the redemption of the Note on the Maturity Date.

The principal amount together with accrued interest of the Promissory Note shall be paid either in full or by installments by no later than 6 March 2022. The interest payable under the Promissory Note shall accrue at the rate of 4.75% per annum on the outstanding principal amount from the Effective Date. Payment under the Promissory Note shall be made, at the option of the Company, by:

- (i) The payment of immediately available funds in Renminbi by wire transfer to the China Times's bank account designated by China Times in writing; and/or
- (ii) The allotment and issue of shares of the Company to China Times subject to compliance with applicable laws, regulations and the Listing Rules.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

25. PROMISSORY NOTE – CONTINUED

China Times and the Company have further acknowledged for the above payment amount which shall include principal amount and any unpaid accrued interest that any future changes to the payment arrangements will be negotiated with reference to the latest market conditions prevailing at the time of negotiation carried out between both parties.

The Directors consider that as at 30 June 2017 the carrying amounts of the Promissory Note and related interest payable amounting to RMB13,458,000 (unaudited) (31 December 2016: Nil) recognised in the condensed consolidated financial statements approximate to their fair values.

26. EARLY RETIREMENT OBLIGATIONS

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Analysed as:		
Current	46,910	4,380
Non-current	131,285	10,600
	178,195	14,980

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

26. EARLY RETIREMENT OBLIGATIONS – CONTINUED

The above obligations were 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:

Discount rate (per annum)	2.75%
Expected annual salary incremental rate (per annum)	10%

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

27. 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 2017, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Within one year	15,816	14,773
In the second to fifth year, inclusive	53,250	51,767
Over five years	210,443	229,574
	279,509	296,114

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

28. CAPITAL COMMITMENTS

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Capital expenditure contracted but not provided for in respect of:		
Acquisition of property, plant and equipment	467,773	485,749

29. CONTINGENT LIABILITIES

The Group provided guarantees to banks in favour of a joint venture of the Group in respect of the banking facilities provided by the banks to that joint venture. As at 30 June 2017, the aggregate amount of guarantees was RMB250,000,000 (unaudited) (31 December 2016: RMB150,000,000), which represented the amount that could be required to be paid if guarantees were called upon in entirety, of which RMB245,500,000 (unaudited) had been utilised by the joint venture as at 30 June 2017 (31 December 2016: RMB145,500,000). Subsequent to the end of the reporting period, in July 2017, an aggregate amount of guarantees of RMB150,000,000 was released upon the repayment of the related bank borrowings.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's 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 2017

30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

Fair value of the Group's 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 2017 (unaudited)				
<i>Financial assets</i>				
Derivative financial instruments	–	55,348	–	55,348
<i>Financial liabilities</i>				
Derivative financial instruments	–	54,632	–	54,632
Gold loans	–	2,393,552	–	2,393,552
<hr/>				
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2016 (audited)				
<i>Financial assets</i>				
Derivative financial instruments	–	69,431	–	69,431
<i>Financial liabilities</i>				
Derivative financial instruments	–	197,845	–	197,845
Derivative component of convertible note	–	–	1	1
Gold loans	–	1,738,617	–	1,738,617

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

Fair value of the Group's 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 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)		
Copper futures contracts:	Assets	55,348	42,659	Level 2	Note 1
	Liabilities	9,231	5,408	Level 2	Note 1
Copper option contracts:	Liabilities	696	–	Level 2	Note 1
Gold futures contracts:	Assets	–	724	Level 2	Note 1
	Liabilities	1,446	–	Level 2	Note 1
Gold forward contracts:	Liabilities	25,601	192,437	Level 2	Note 1
Silver futures contracts:	Assets	–	2,821	Level 2	Note 1
	Liabilities	7,474	–	Level 2	Note 1
Currency forward contracts:	Assets	–	23,227	Level 2	Note 2
	Liabilities	10,184	–	Level 2	Note 2
Gold loans:	Liabilities	2,393,552	1,738,617	Level 2	Note 1
Derivative component of convertible note	Liabilities	–	1	Level 3	Note 3

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

Fair value of the Group's 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. The Directors consider that the change in fair value of the gold loans is mostly attributable to change in the commodity prices of gold and the amount of change in fair value of gold loans that is attributable to change in the credit risk of these loans is insignificant.
- (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 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 RMB1,000 (unaudited) (six months ended 30 June 2016: RMB18,821,000 (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 the Group's financial instruments that are not measured at fair value on a recurring basis

Except as disclosed in Notes 21 and 25, 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

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31. 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	
			2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Income:				
Sales of non-ferrous metals	(i)	Daye Group	1	95,505
	(i)	Fellow subsidiaries	1,566,585	661,694
Sales of other materials	(i)	Daye Group	253	49
	(i)	Fellow subsidiaries	48,778	30,821
Rendering of services	(i)	Daye Group	230	1
	(i)	Fellow subsidiaries	1,003	877
Interest income	(iii)	Daye Finance Company	3,829	3,928
Rental income for leasing of properties	(i)	Daye Group	4,987	6,212
	(i)	Fellow subsidiaries	1,080	337
Rental income for leasing of lands	(i)	Fellow subsidiaries	520	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

31. 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	
			2017 RMB'000	2016 RMB'000
Expenses:				
Transportation fees	(i)	An associate of Daye Group	1,572	1,455
Utilities fees	(i)	Fellow subsidiaries	180,947	131,699
Purchases of non-ferrous metals	(i)	Daye Group	6	14,660
	(i)	Fellow subsidiaries	291,249	269,949
	(i)	An associate of Daye Group	82,674	–
Rental expense for leasing of lands	(i)	Daye Group	6,377	4,251
	(i)	Fellow subsidiaries	458	319
Rental expense for leasing of properties	(i)	Fellow subsidiaries	2,219	126
Interest expense	(ii)	Daye Group	28,820	42,056
	(ii)	Daye Finance Company	7,861	9,110
	(ii)	A fellow subsidiary	2,616	–
	(i)	China Times	30,668	41,035
Capital expenditures:				
Construction contract fees	(i)	Fellow subsidiaries	90,422	214,924
Other service fees	(i)	Daye Group	12	–
	(i)	Fellow subsidiaries	40,187	39,667

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

31. 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, Daye Finance Company and a fellow subsidiary. Further details of the loans at the end of the reporting period are set out in Note 21.
- (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 18.

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.

32. MAJOR NON-CASH TRANSACTION

During the current interim period, the Note was matured and settled by the issuance of the Promissory Note with a principal amount of RMB891,537,000 as detailed in Notes 24 and 25.