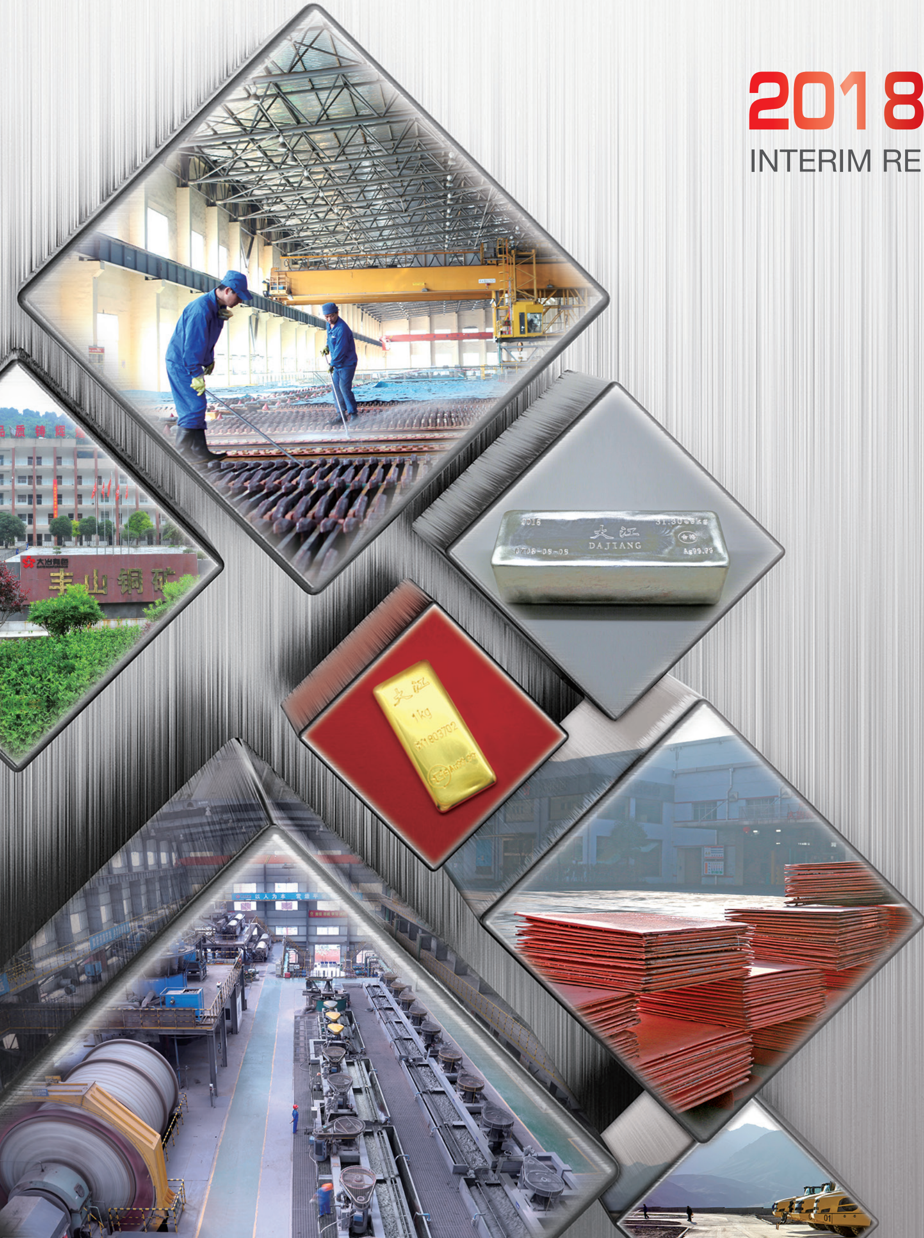
中國大冶有色金屬礦業有限公司
China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00661

2018
INTERIM REPORT



MINERAL RESOURCES

HUBEI MINES

Daye City

1 Tonglvshan Mine

2 Tongshankou Mine

Yangxin County

3 Fengshan Mine

4 Chimashan Mine

XINJIANG MINE

Wuqia County

5 Sareke Copper Mine

CONTENTS

Corporate Information	2
Management Discussion and Analysis	3
Corporate Governance and Other Information	10
Report on Review of Condensed Consolidated Financial Statements	16
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Condensed Consolidated Statement of Financial Position	19
Condensed Consolidated Statement of Changes in Equity	21
Condensed Consolidated Statement of Cash Flows	22
Notes to the Condensed Consolidated Financial Statements	24

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Tan Yaoyu *(Chairman)*
Long Zhong Sheng
(Chief Executive Officer)
Zhai Baojin
Yu Liming *(appointed on 19 June 2018)*

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 *(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

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

BUSINESS REVIEW

In the first half of 2018, China Daye Non-Ferrous Metals Mining Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") focused on the main subject of "enhancing production, improving indices, reducing costs and expanding markets"(提產量、提指標、降成本、拓市場) to align with the market, and adjusted its development strategies in response to the current changes in the international and domestic conditions.

In the first half of 2018, the Group produced a total of approximately 12,837 tonnes of mined copper, a decrease of 2.8% over the same period last year; approximately 254,513 tonnes of copper cathode, an increase of 13.5% over the same period last year; approximately 514.2 tonnes of precious metals (including approximately 5.14 tonnes of gold, approximately 495.5 tonnes of silver, approximately 7.5 kg of platinum, approximately 107 kg of palladium and approximately 13.4 tonnes of tellurium), an increase of 4.7% over the same period last year; approximately 551,224 tonnes of chemical products (including approximately 548,970 tonnes of sulphuric acid, approximately 1,834 tonnes of copper sulfate, approximately 331 tonnes of nickel sulphate and approximately 89 tonnes of crude selenium), an increase of 18.3% over the same period last year; approximately 110,570 tonnes of iron concentrate, an increase of 17.4% over the same period last year; and approximately 45 tonnes of molybdenum concentrate, an increase of 7.4% over the same period last year.

The Group aligned with the market, and realized improvement of production and operation quality over the same period last year. The smelting plant has adopted various measures to stabilize and enhance production, such as increasing the processing capacity of the Ausmelt furnace and raising the electrolytic current, which achieved satisfactory results. In the first half of the year, the processing capacity of the Ausmelt furnace exceeded the average level of the three years from 2015 to 2017. The rare and precious metal plant strengthened its control over the production process based on the principle of efficiency priority, with process indicators being continuously optimized.

The Group focused on risk control to continue to improve its management level. The Group established a dual prevention system of risk control and hidden peril investigation and governance. Fengshan Mine and Tonglvshan Mine were included in the pilot project of the construction of the safety dual prevention system of the State Administration of Work Safety. The Group strengthened its hidden peril investigation and governance, and completed acceptance of the project for closing the tailings storage facility of Tongshankou Mine supervised by the State Administration of Work Safety.

OUTLOOK

In the second half of 2018, the Group will still encounter a very complex production and operation situation. The in-depth impact of the international financial crisis still exists. Market uncertainties are further increased by the differentiated economic trends of the developed countries, the slowdown of global economic and trade expansion and escalated Sino-US trade frictions. In addition to slowdown of domestic economic growth and declined growth of demand for bulk raw materials, no important support has been formed by new growth demand to the market.

The Group will focus on resources development, accelerate the construction of key mine projects and gradually improve the technical transformation of the smelting system, so as to improve quality and effectiveness. The Group will speed up the construction of key projects, such as the development of the -545m to -605m middle portion of No. III and No. IV ore bodies of Tonglvshan Mine, the exploration and mining of No. IV western ore body of Tonglvshan Mine, the development of the -440m to -740m of Fengshan Mine (Phase I), and 4,000 tonnes ore grinding and flotation transformation of Tongshankou Mine. The smelting plant will accelerate the construction of efficiency projects including intelligent upgrading of the fifth system for electrolysis, and push forward the preliminary work of such projects as converter transformation.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

Description of activities

The following table sets out the various exploration, development and mining production activities of the Group conducted at each of our mines during the six months ended 30 June 2018:

Mines	Exploration activities	Development activities	Mining production activities
Tonglvshan Mine	Horizontal drilling reached 1,733.1m/28 holes, and pit drilling reached 676.2m/5,367m^3.	The completed drilling volume of ramps, middle portion and sublevel for the development of the -545m to -605m middle portion of Tonglvshan Mine was 24,819m^3 in total from January to June 2018.	Copper: 4,140 tonnes Gold: 205 kg Silver: 1,572 kg Iron concentrates: 110,570 tonnes
Fengshan Mine	Horizontal drilling reached 1,790m/25 holes, and pit drilling reached 1,464.1m/10,103.8m^3.	The completed drilling volume of ramps, middle portion for the development of the -440m middle portion of Fengshan Mine was 3,163m^3 in total from January to June 2018. The completed drilling volume of the northern shaft and ingate for the development of the -440m to -740m middle portion of Fengshan Mine was 2,972m^3 in total from January to June 2018.	Copper: 2,534 tonnes Gold: 58 kg Silver: 1,925 kg Molybdenum: 43 tonnes
Tongshankou Mine	Horizontal drilling reached 847.2m/12 holes, and pit drilling reached 364.19m/3,774.55m^3.	The completed drilling volume of middle portion, pump station and sublevel drift for the development of the -220m to -280m middle portion of Tongshankou Mine was 11,081m^3 in total from January to June 2018.	Copper: 2,182 tonnes Silver: 834 kg Molybdenum: 2 tonnes
Chimashan Mine	No significant progress was made for the six months ended 30 June 2018.		
Sareke Copper Mine	1. The pit of the northern mine where horizontal drilling reached 2,492.6m/51 holes, and pit drilling reached 479.9m/5,480.1m^3. 2. The exploration of southern mine where downhole reached 865m/3 holes.	For the Sareke Copper Mine, the accumulative completed drilling volume for the development of the 2,640m to 2,670m middle portion was 1,117.14m/13,067.46m^3.	Copper: 3,980 tonnes Silver: 3,418 kg

Infrastructure projects, subcontracting arrangements and purchases of equipment

During the six months ended 30 June 2018, the new contracts entered into and commitments undertaken by the Group in relation to exploration, development and mining production activities were as follows:

Mines	Infrastructure projects RMB'000	Subcontracting arrangements RMB'000	Purchase of equipment RMB'000	Total RMB'000
Tonglvshan Mine	32,938	–	6,144	39,082
Fengshan Mine	–	–	930	930
Tongshankou Mine	8,250	–	2,236	10,486
Chimashan Mine	–	–	–	–
Sareke Copper Mine	4,314	–	226	4,540
Total	45,502	–	9,536	55,038

Expenditures incurred

During the six months ended 30 June 2018, the Group incurred approximately RMB697,897,000 (six months ended 30 June 2017: RMB690,203,000) on exploration, development and mining production activities, details of which are set out below:

			Six months ended 30 June	
Mines	Operating expenses RMB'000	Capital expenditures RMB'000	**2018 Total RMB'000**	2017 Total RMB'000
Tonglvshan Mine	224,329	46,742	**271,071**	261,223
Fengshan Mine	92,987	10,745	**103,732**	102,931
Tongshankou Mine	124,208	49,231	**173,439**	202,131
Chimashan Mine	3,422	–	**3,422**	2,976
Sareke Copper Mine	142,026	4,207	**146,233**	120,942
Total	586,972	110,925	**697,897**	690,203

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

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine
Exploration activities					
Drilling and analysis	–	1,420	–	–	–
Others	–	–	–	–	–
Sub-total	–	1,420	–	–	–
Development activities (including mine construction)					
Purchase of assets and equipment	15,387	2,457	3,530	–	218
Civil work for construction of tunnels and roads	27,756	6,515	42,120	–	3,989
Staff cost	–	–	–	–	–
Others	3,599	353	3,581	–	–
Sub-total	46,742	9,325	49,231	–	4,207
Mining production activities (including ore processing)					
Auxiliary material	16,330	6,902	11,347	–	6,764
Power supply	19,996	8,706	10,137	–	7,218
Staff cost	61,879	37,069	30,866	1,612	16,730
Depreciation	53,234	12,299	45,657	–	35,672
Taxes, resource compensation	11,793	6,473	5,848	310	8,537
Sub-contracting service	16,790	5,141	–	–	24,738
Others (administrative expenses, selling expenses, non-operating expenditures)	44,307	16,397	20,353	1,500	42,367
Sub-total	224,329	92,987	124,208	3,422	142,026
Total	271,071	103,732	173,439	3,422	146,233

FINANCIAL REVIEW

The Group's revenue decreased by 11.7% to RMB16,354.0 million during the period over the same period last year of RMB18,530.0 million. The decrease in revenue was mainly attributable to the decrease in the sales of other copper products and gold and other gold products.

Other operating expenses for the six months ended 30 June 2018 amounted to RMB7.0 million (six months ended 30 June 2017: RMB197.0 million), representing a decrease of 96.4% from the previous period. The decrease was primarily attributable to the decrease in provision for early retirement obligations.

Income tax expense for the six months ended 30 June 2018 amounted to RMB9.7 million (six months ended 30 June 2017: income tax credit of RMB41.1 million). The income tax expense mainly reflects the deferred tax effect relating to the early retirement obligations and accrued expenses.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had restricted and pledged bank deposits, and cash and bank balances of RMB1,578.0 million (31 December 2017: RMB1,036.1 million), of which the majority were denominated in Renminbi ("**RMB**"), with a current ratio of 1.06 (31 December 2017: 1.02), based on the current assets of RMB8,416.2 million (31 December 2017: RMB6,805.4 million) and current liabilities of RMB7,976.3 million (31 December 2017: RMB6,666.4 million). The Group's gearing ratio was 396.5% (31 December 2017: 338.4%) based on the net debts (which includes bank and other borrowings and promissory note less restricted and pledged bank deposits, and cash and bank balances) of RMB9,000.2 million (31 December 2017: RMB7,998.9 million) divided by equity attributable to owners of the Company of RMB2,270.1 million (31 December 2017: RMB2,363.7 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 2018, the Group had bank and other borrowings of RMB4,417.5 million (31 December 2017: RMB3,058.0 million) and RMB5,269.1 million (31 December 2017: RMB5,085.5 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had a total of 6,309 employees (30 June 2017: 6,677). 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 dollar ("**US$**") and certain borrowings that are denominated in US$.

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

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts and currency option contracts, when necessary, to manage its foreign exchange exposure. During the period, certain currency forward contracts and currency option 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 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2018, other deposits which amounted to RMB53.1 million (31 December 2017: RMB141.4 million) were held in futures exchanges as security for the commodities derivative contracts, and other financing were secured by bank deposits and balances amounting to RMB769.8 million (31 December 2017: RMB79.0 million).

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Company's listed securities.

INTERIM DIVIDEND

The board (the "**Board**") of directors (the "**Directors**") of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

BOARD OF DIRECTORS

Composition of the Board

As at 30 June 2018, the Board comprised four executive Directors and three independent non-executive Directors, as follows:

Name of Director	Date of first appointment to the Board
Executive Directors	
Tan Yaoyu *(Chairman)*	22 March 2012
Long Zhong Sheng *(Chief Executive Officer)*	22 March 2012
Zhai Baojin	22 March 2012
Yu Liming	19 June 2018
Independent Non-Executive Directors	
Wang Guoqi	13 January 2006
Wang Qihong	13 January 2006
Liu Jishun	31 July 2014

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

As at 30 June 2018, 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 2018.

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2018, 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 2018
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 2018.

Save as disclosed above, as at 30 June 2018, 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 and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

EQUITY

As at 30 June 2018, 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 2018.

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 2018 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 the remuneration packages of individual 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, Mr. Tan Yaoyu, 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. 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 2018.

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 2018, 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 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.

EVENTS AFTER THE REPORTING PERIOD

The Group had no material event after the reporting period.

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 2017 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 18 to 64, which comprises the condensed consolidated statement of financial position as at 30 June 2018 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.

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 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** **RMB'000** **(unaudited)**	 2017 RMB'000 (unaudited)
Revenue	4, 5	**16,354,037**	18,530,007
Cost of sales and services rendered		**(16,004,367)**	(18,180,947)
Gross profit		**349,670**	349,060
Other income	6	**30,716**	30,042
Selling expenses		**(32,806)**	(28,596)
Administrative expenses		**(172,519)**	(167,222)
Other operating expenses		**(7,046)**	(197,025)
Other gains and losses	7	**(1,136)**	14,576
Finance costs	8	**(200,701)**	(193,703)
Share of results of joint ventures		**(15,750)**	49,662
Loss before tax		**(49,572)**	(143,206)
Income tax (expense)/credit	9	**(9,732)**	41,116
Loss and total comprehensive expense for the period	10	**(59,304)**	(102,090)
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		**(68,287)**	(101,512)
Non-controlling interests		**8,983**	(578)
		(59,304)	(102,090)
Loss per share	12		
– Basic		**RMB(0.38)fen**	RMB(0.57)fen
– Diluted		**RMB(0.38)fen**	RMB(0.57)fen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**7,206,858**	7,346,061
Exploration and evaluation assets		**47,237**	44,294
Prepaid lease payments		**698,375**	698,534
Intangible assets		**643,076**	666,249
Interests in joint ventures		**212**	41,254
Deferred tax assets	14	**150,627**	160,359
Other deposits	17	**62,927**	71,390
Restricted bank deposits	19	**39,000**	39,000
		8,848,312	9,067,141
CURRENT ASSETS			
Prepaid lease payments		**10,805**	21,451
Inventories	15	**5,655,053**	4,813,802
Trade and bills receivables	16	**534,647**	518,557
Other deposits	17	**53,114**	141,414
Prepayments and other receivables	18	**566,904**	295,834
Derivative financial instruments	23	**56,631**	17,245
Restricted and pledged bank deposits	19	**730,770**	39,985
Cash and bank balances	19	**808,245**	957,112
		8,416,169	6,805,400
CURRENT LIABILITIES			
Trade payables	20	**2,434,933**	2,484,878
Other payables and accrued expenses	21	**913,889**	1,034,416
Contract liabilities		**107,050**	–
Bank and other borrowings	22	**4,417,497**	3,058,032
Derivative financial instruments	23	**64,559**	50,734
Early retirement obligations		**38,350**	38,350
		7,976,278	6,666,410
NET CURRENT ASSETS		**439,891**	138,990
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,288,203**	9,206,131

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		**727,893**	727,893
Share premium and reserves		**1,542,240**	1,635,819
Equity attributable to owners of the Company		**2,270,133**	2,363,712
Non-controlling interests		**173,179**	164,196
TOTAL EQUITY		**2,443,312**	2,527,908
NON-CURRENT LIABILITIES			
Bank and other borrowings	22	**5,269,137**	5,085,477
Promissory note	24	**891,537**	891,537
Interest payable for promissory note		**55,807**	34,807
Payables for purchase of property, plant and equipment	21	**282,564**	282,564
Amounts due to Daye Nonferrous Metals Group Holding Co., Ltd ("Daye Group", an intermediate holding company of the Company)	21	**24,171**	30,171
Provisions for mine rehabilitation, restoration and dismantling		**44,746**	44,085
Deferred income		**196,648**	206,492
Early retirement obligations		**80,281**	103,090
		6,844,891	6,678,223
		9,288,203	9,206,131

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Six months ended 30 June 2018 (unaudited)											
At 31 December 2017 (audited)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	112,015	5,876	(349,194)	2,363,712	164,196	2,527,908
Adoption of new standards (Note 3)	–	–	–	–	–	–	–	(25,292)	(25,292)	–	(25,292)
At 1 January 2018 (as restated)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	112,015	5,876	(374,486)	2,338,420	164,196	2,502,616
(Loss)/profit and total comprehensive (expense)/income for the period	–	–	–	–	–	–	–	(68,287)	(68,287)	8,983	(59,304)
Appropriation of maintenance and production funds	–	–	–	–	–	31,300	–	(31,300)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(17,962)	–	17,962	–	–	–
At 30 June 2018 (unaudited)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	125,353	5,876	(456,111)	2,270,133	173,179	2,443,312
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	(364,781)	2,359,447	157,562	2,517,009

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(503,336)**	(609,344)
NET CASH USED IN INVESTING ACTIVITIES		
Interest received	**7,472**	11,205
Payments for property, plant and equipment	**(207,309)**	(241,414)
Payments for exploration and evaluation assets	**(2,943)**	(18,220)
Payments for intangible assets	**(2,131)**	(31,148)
Payments for prepaid lease payments	**–**	(29,535)
Payments for short-term investments	**–**	(500,000)
Proceeds from disposal of property, plant and equipment	**282**	218
(Payments to)/repayments from joint ventures	**(86,693)**	106,708
Placement of restricted and pledged bank deposits	**(1,005,777)**	(327,530)
Withdrawal of restricted and pledged bank deposits	**314,992**	135,318
	(982,107)	(894,398)
NET CASH GENERATED FROM FINANCING ACTIVITIES		
Proceeds from new bank borrowings	**3,896,594**	3,016,899
Repayments of bank borrowings	**(3,225,505)**	(2,289,224)
Repayments of other loans	**(500)**	(500)
Loans from Daye Group	**305,993**	681,578
Repayment of loans from Daye Group	**(409,094)**	(378,744)
Loans from Daye Nonferrous Metals Group Finance Co., Ltd. ("Daye Finance Company", a fellow subsidiary)	**90,000**	90,000
Repayment of loans from Daye Finance Company	**(90,000)**	(190,000)
Proceeds from gold loans	**2,412,842**	1,519,179
Repayments of gold loans	**(1,527,587)**	(1,032,466)
Repayment to a joint venture	**(1)**	(454)
Finance costs paid	**(178,633)**	(181,313)
Other financing cash flows	**55,953**	11,503
	1,330,062	1,246,458

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(155,381)**	(257,284)
Cash and cash equivalents at beginning of the period	**957,112**	1,116,752
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	**6,514**	(2,653)
Cash and cash equivalents at end of the period, represented by:		
Cash and bank balances	**808,245**	856,815

1. GENERAL INFORMATION

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

The 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 Nonferrous 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"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2018 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 2017.

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 28, as appropriate.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the selling/trading of metal products.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* – continued

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* – continued

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 – continued

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* – continued

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 – continued

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* – continued

3.1.2 Summary of effects arising from initial application of HKFRS 15

The transition to HKFRS 15 does not have material impact on the Group's accumulated losses.

The following adjustment was made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Carrying amounts under HKFRS 15 at 1 January 2018 RMB'000
Current liabilities			
Other payables and accrued expenses	1,034,416	(100,396)	934,020
Contract liabilities	–	100,396	100,396

As at 1 January 2018, receipts in advances from customers of RMB100,396,000 in respect of sales contracts previously included in other payables and accrued expenses were reclassified to contract liabilities on the face of the condensed consolidated statement of financial position.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers* – continued

3.1.2 Summary of effects arising from initial application of HKFRS 15 – continued

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Current liabilities			
Other payables and accrued expenses	913,889	107,050	1,020,939
Contract liabilities	107,050	(107,050)	–

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, financial guarantee contracts) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses, without restating comparative information.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments – continued

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments – continued

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Classification and measurement of financial assets – continued

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Trade receivables under provisionally priced sales arrangements (including the embedded commodity derivative component) are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. There were no significant impact on the amounts reported set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments – continued

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets at amortised cost which are subject to impairment under HKFRS 9 and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables (other than trade receivables under provisionally priced sales arrangements). The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments – continued

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Impairment under ECL model – continued

Significant increase in credit risk – continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments – continued

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Impairment under ECL model – continued

Significant increase in credit risk – continued

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments – continued

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Impairment under ECL model – continued

Measurement and recognition of ECL – continued

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables (other than trade receivables under provisionally priced sales arrangements) and other receivables where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments – continued

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 – continued

Classification and measurement of financial liabilities

For financial liabilities (including gold loans) that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/accumulated losses upon derecognition of the financial liability.

This is different from the current accounting treatment under which the entire change in fair value of the financial liabilities is recognised in profit or loss. The amount of change in fair value attributable to changes in credit risk of these financial liabilities was not significant on 1 January 2018.

The Directors reviewed and assessed the Group's financial liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date. There were no significant impact on the amounts reported set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* and the related amendments – continued

3.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Interests in joint ventures RMB'000	**Accumulated losses** RMB'000
Opening balance at 31 December 2017 – HKAS 39	41,254	(349,194)
Effect arising from initial application of HKFRS 9		
Remeasurement for impairment under ECL model (note)	(25,292)	(25,292)
Opening balance at 1 January 2018	15,962	(374,486)

Note:

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables (other than trade receivables under provisionally priced sales arrangements). The Directors believe that the credit risk inherent for these receivables is not significant. Loss allowances for other financial assets at amortised cost and financial guarantee contracts are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

However, the effect arising from the initial application of HKFRS 9 in relation to the remeasurement for impairment under ECL model resulted in a decrease in the carrying amounts of interests in joint ventures of RMB25,292,000 with corresponding adjustments to accumulated losses by RMB25,292,000.

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

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item affected.

	At 31 December 2017 RMB'000 (audited)	HKFRS 15 RMB'000	HKFRS 9 RMB'000	At 1 January 2018 RMB'000 (restated)
Non-current assets				
Interests in joint ventures	41,254	–	(25,292)	15,962
Current liabilities				
Other payables and accrued expenses	1,034,416	(100,396)	–	934,020
Contract liabilities	–	100,396	–	100,396
Capital and reserves				
Share premium and reserves	1,635,819	–	(25,292)	1,610,527
Equity attributable to owners of the Company	2,363,712	–	(25,292)	2,338,420

4. REVENUE FROM GOODS AND SERVICES

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	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods	**16,331,686**	18,496,737
Rendering of services	**22,351**	33,270
	16,354,037	18,530,007
Timing of revenue recognition:		
A point in time	**16,331,686**	18,496,737
Over time	**22,351**	33,270
	16,354,037	18,530,007

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 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 disaggregation of revenue by major product and service categories:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods:		
Copper cathodes	**12,900,652**	10,396,637
Other copper products	**119,670**	1,282,996
Gold and other gold products	**1,395,078**	4,216,339
Silver and other silver products	**1,649,525**	2,320,847
Sulphuric acid and sulphuric concentrate	**93,648**	77,246
Iron ores	**57,645**	49,392
Others	**115,468**	153,280
	16,331,686	18,496,737
Rendering of services:		
Copper processing	**17,124**	29,573
Others	**5,227**	3,697
	22,351	33,270
Total revenue	**16,354,037**	18,530,007

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 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
PRC	**8,657,947**	8,825,933
Hong Kong	**591**	41,675
Mongolia	**147**	174
	8,658,685	8,867,782

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

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
PRC	**16,256,759**	18,397,132
Hong Kong	**7,247**	132,875
Others	**90,031**	–
	16,354,037	18,530,007

6. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income from banks	**5,434**	7,376
Interest income from Daye Finance Company*	**3,191**	3,829
Interest income from a joint venture	**2,034**	–
Government grants	**2,379**	3,222
Deferred income recognised	**10,461**	9,028
Rental income	**7,217**	6,587
	30,716	30,042

* *A non-banking financial institution.*

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Fair value changes from:		
Commodity derivatives contracts	**8,976**	2,385
Currency forward contracts	**27,763**	(33,411)
Currency option contracts	**23,318**	–
Gold forward contracts	**(21,914)**	166,836
Gold loans designated as financial liabilities at FVTPL	**11,875**	(168,222)
(Impairment loss)/reversal of impairment loss, net, on:		
Trade receivables	**(393)**	11
Other receivables	**600**	211
Loss on disposal of property, plant and equipment, net	**(2,618)**	(25)
Fair value gain on derivative component of convertible note	**–**	1
Exchange (losses)/gains, net	**(38,669)**	51,672
Other losses (Note)	**(10,074)**	(4,882)
	(1,136)	14,576

7. OTHER GAINS AND LOSSES – CONTINUED

Note:

Other losses mainly included compensation paid of RMB10,074,000 (unaudited) (six months ended 30 June 2017: RMB4,882,000 (unaudited)) in relation to a partial dam failure occurred at the northwestern corner of tailings pond at Tonglvshan Mine of the Group located in Hubei Province, the PRC on 12 March 2017. Up to 30 June 2018, compensations totalling RMB45,596,000 (unaudited) were paid and charged to profit or loss and advance reimbursements of RMB21,000,000 were received from related insurance claim, which were recorded under "Other payables and accrued expenses". The management of the Group considers the risk that the Group will be subject to further significant compensation is remote, and accordingly, no further provision has been made in these condensed consolidated financial statements.

8. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank and other borrowings	**153,298**	134,201
Interest on loans from Daye Group	**22,296**	28,820
Interest on loans from Daye Finance Company	**7,061**	7,861
Interest on loans from a fellow subsidiary	**2,576**	2,616
Interest on convertible note/bonds	**–**	17,210
Interest on promissory note	**21,000**	13,458
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	**661**	642
Unwind interest of early retirement obligations	**2,450**	2,186
Total borrowing costs	**209,342**	206,994
Less: Borrowing costs capitalised in the cost of qualifying assets	**(8,641)**	(13,291)
	200,701	193,703

9. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	**–**	–
Deferred tax (Note 14)	**9,732**	(41,116)
	9,732	(41,116)

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Employee benefits expense (including directors' remuneration):		
Salaries, wages and welfare	**261,839**	223,654
Retirement benefit schemes contributions	**55,015**	76,307
Provision for early retirement obligations***	**–**	186,700
Total staff costs*	**316,854**	486,661
Cost of sale and services rendered:		
Cost of inventories recognised as an expense	**15,989,090**	18,157,698
Direct operating expense arising from services provided	**15,277**	23,249
	16,004,367	18,180,947
Depreciation of property, plant and equipment**	**301,336**	304,907
Amortisation of intangible assets**	**25,304**	24,647
Amortisation of prepaid lease payments**	**10,805**	10,619

* During the current interim period, staff costs of RMB283,384,000 (unaudited) (six months ended 30 June 2017: RMB271,666,000 (unaudited)) was capitalised to inventories.

** During the current interim period, depreciation of property, plant and equipment of RMB283,794,000 (unaudited) (six months ended 30 June 2017: RMB288,321,000 (unaudited)), and amortisation of intangible assets and prepaid lease payments totaling RMB16,606,000 (unaudited) (six months ended 30 June 2017: RMB15,320,000 (unaudited)) was capitalised to inventories.

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

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	
	2018	2017
	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	**(68,287)**	(101,512)
	'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 did not assume the conversion of the Company's outstanding convertible note during that period since its conversion would result in a decrease in loss per share for that period. The convertible note was fully redeemed on 7 March 2017.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB207,309,000 (unaudited) (six months ended 30 June 2017: RMB241,414,000 (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, and motor vehicles with an aggregate carrying amount of RMB2,900,000 (unaudited) (six months ended 30 June 2017: RMB243,000 (unaudited)) for cash proceeds of RMB282,000 (unaudited) (six months ended 30 June 2017: RMB218,000 (unaudited)), resulting in a loss on disposal of RMB2,618,000 (unaudited) (six months ended 30 June 2017: RMB25,000 (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 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Deferred tax assets	**150,627**	160,359

14. DEFERRED TAXATION – CONTINUED

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 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
At 1 January 2018 (audited)	**25,977**	**11,021**	**35,299**	**58,855**	**10,462**	**49,531**	**3,530**	**194,675**
(Charged)/credited to profit or loss	**(5,985)**	**164**	**(5,691)**	**(312)**	**(66)**	**91**	**1,412**	**(10,387)**
At 30 June 2018 (unaudited)	**19,992**	**11,185**	**29,608**	**58,543**	**10,396**	**49,622**	**4,942**	**184,288**

Deferred tax liabilities

	Mining rights RMB'000
At 1 January 2017 (audited)	(35,625)
Credited to profit or loss	938
At 30 June 2017 (unaudited)	(34,687)
At 1 January 2018 (audited)	**(34,316)**
Credited to profit or loss	**655**
At 30 June 2018 (unaudited)	**(33,661)**

15. INVENTORIES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Raw materials	**1,041,658**	1,067,698
Work in progress	**1,302,660**	1,300,768
Finished goods	**853,790**	584,325
Goods in transit	**2,456,945**	1,861,011
	5,655,053	4,813,802

16. TRADE AND BILLS RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade receivables, at amortised cost	**272,009**	342,991
Less: Allowance of doubtful debts	**(10,892)**	(10,499)
	261,117	332,492
Bills receivables, at amortised cost:		
Bills receivable on hand	**240,578**	134,193
Endorsed to suppliers	**32,952**	48,872
Held by banks for collection	**–**	3,000
	273,530	186,065
Total trade and bills receivables	**534,647**	518,557

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.

16. TRADE AND BILLS RECEIVABLES – CONTINUED

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 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within 1 year	**103,685**	151,473
More than 1 year, but less than 2 years	**1,221**	180,794
More than 2 years, but less than 3 years	**156,017**	31
Over 3 years	**194**	194
	261,117	332,492

For certain sales of the Group's copper products, the sales price is determined on a provisional basis at the date of sale, and the amount of consideration is received in advance for each sale based on the market price on the delivery date which is subject to adjustment for the final pricing. Trade receivables under provisionally priced sales arrangements are classified as financial assets at FVTPL because their cash flows do not represent solely payments of principal and interest on the principal amount outstanding. As at 30 June 2018 and 31 December 2017, there were no material trade receivables under provisionally priced sales arrangements and no separate disclosures were presented.

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Fellow subsidiaries	**181,854**	253,481

16. TRADE AND BILLS RECEIVABLES – CONTINUED

The above balances with related parties are unsecured, interest-free and are repayable according to the relevant sales contracts. Daye Group has provided financial support to a fellow subsidiary which had payables to the Group amounted to RMB178,577,000 as at 30 June 2018 as included in the above trade receivables from fellow subsidiaries, and has agreed to provide adequate funds for that fellow subsidiary to meet its liabilities as and when they fall due.

17. OTHER DEPOSITS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Classified under non-current assets:		
Deposits for acquisition of property, plant and equipment	**26,919**	40,968
Deposits for environment rehabilitation (Note (a))	**30,722**	30,422
Deposits for land restoration (Note (b))	**5,286**	–
	62,927	71,390
Classified under current assets:		
Other deposits (Note (c))	**53,114**	141,414

Notes:

(a) The deposits for environment rehabilitation represent estimated environment restoration costs placed with the PRC government.

(b) The deposits are held in a designated saving account in Daye Finance Company as required by the PRC government which represent estimated land restoration costs for mining area of a copper mine held by the Group.

(c) Other deposits represent deposits in margin accounts held in Shanghai Future Exchange and other futures exchanges as security for the commodities derivative contracts.

18. PREPAYMENTS AND OTHER RECEIVABLES

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Prepayments made to fellow subsidiaries	**750**	52,608
Amounts due from joint ventures of the Group (Note)	**156,871**	70,178

Note:

Included in the above amounts due from joint ventures is an amount of RMB40,000,000 (31 December 2017: RMB40,000,000) which carries fixed interest at 4.60% per annum and repayable in May 2019 and another amount of RMB85,000,000 (31 December 2017: Nil) which carries fixed interest at 4.35% per annum and repayable in March 2019. The remaining amounts due from joint ventures are unsecured, interest-free and repayable on demand.

19. RESTRICTED AND PLEDGED BANK DEPOSITS, AND CASH AND BANK BALANCES

Restricted and pledged bank deposits

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Classified under current assets:		
Bank deposits (Note (a))	**671,000**	–
Bank balances (Note (b))	**59,770**	39,985
	730,770	39,985
Classified under non-current assets:		
Bank deposits (Note (c))	**39,000**	39,000

Notes:

(a) The bank deposits as at 30 June 2018 are pledged to banks as security for the Group's gold loans. Such deposits earn interest at rates ranging from 2.54% to 4.35% per annum.

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

(c) The bank deposits as at 30 June 2018 are pledged to Daye Finance Company as security for the other loans of the Group, which are not repayable within one year (Note 22). These deposits bear interest at a fixed rate of 3.58% per annum.

Cash and bank balances

As at 30 June 2018, the balances included saving deposits of RMB195,760,000 (unaudited) (31 December 2017: RMB392,219,000) placed with Daye Finance Company, which bear interest at rates ranging from 0.53% to 1.50% (31 December 2017: 0.53% to 1.50%) per annum.

20. TRADE PAYABLES

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within 1 year	**2,414,239**	2,465,848
More than 1 year, but less than 2 years	**15,046**	9,794
More than 2 years, but less than 3 years	**673**	1,385
Over 3 years	**4,975**	7,851
	2,434,933	2,484,878

Included in the Group's trade payables as at 30 June 2018 were payables to fellow subsidiaries of RMB126,933,000 (unaudited) (31 December 2017: RMB36,130,000). The payables to the fellow subsidiaries are unsecured, interest-free and repayable according to respective purchase contracts.

21. OTHER PAYABLES AND ACCRUED EXPENSES

Included in the Group's other payables under current liabilities as at 30 June 2018 were payables to Daye Group and a joint venture of the Group of RMB2,946,000 (unaudited) (31 December 2017: RMB2,915,000) and RMB14,236,000 (unaudited) (31 December 2017: RMB14,237,000), respectively. The above payables to Daye Group and a joint venture of the Group are unsecured, interest-free and repayable on demand. The amounts due to Daye Group classified under non-current liabilities are unsecured, interest-free and repayable after one year in accordance with the terms of the relevant agreements.

Also included in the Group's other payables under current liabilities and payables for purchase of property, plant and equipment under non-current liabilities as at 30 June 2018 were payables for purchase of property, plant and equipment to fellow subsidiaries of RMB455,288,000 (unaudited) (31 December 2017: RMB465,200,000) 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.

22. BANK AND OTHER BORROWINGS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Bank borrowings:		
Unsecured	**5,072,670**	4,361,247
Other borrowings:		
Loans from Daye Group, unsecured *	**881,378**	978,510
Loans from Daye Finance Company, unsecured *	**368,000**	368,000
Loans from a fellow subsidiary, unsecured *	**188,237**	132,283
Gold loans	**2,678,349**	1,804,969
Other loans secured by bank deposits (Note 19(c))	**498,000**	498,500
	9,686,634	8,143,509
Less: Amounts due within one year shown under current liabilities	**(4,417,497)**	(3,058,032)
Amounts shown under non-current liabilities	**5,269,137**	5,085,477
Fixed-rate borrowings	**7,707,361**	5,908,777
Variable-rate borrowings	**1,979,273**	2,234,732
Total borrowings	**9,686,634**	8,143,509

* The loans from Daye Group bear interests ranging from 1.20% to 6.15% (31 December 2017: 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 3.915% to 5.225% (31 December 2017: 3.915% to 5.61%) per annum and are repayable in various maturity dates up to 11 October 2020. 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 2022.

The Directors consider that as at 30 June 2018 the carrying amounts of borrowings and related interest payable amounting to RMB34,970,000 (unaudited) (31 December 2017: RMB28,372,000) recognised in the condensed consolidated financial statements approximate to their fair values.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Current Assets		Current Liabilities	
	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)	**At 30 June 2018 RMB'000 (unaudited)**	At 31 December 2017 RMB'000 (audited)
Carried at fair value:				
– Copper futures contracts	**13,057**	4,287	**25,085**	7,956
– Gold futures contracts	**3,801**	361	**1,322**	–
– Gold forward contracts	**15,722**	12,597	**34,744**	9,705
– Silver futures contracts	**–**	–	**357**	2,992
– Currency forward contracts	**24,051**	–	**–**	3,712
– Currency option contracts	**–**	–	**3,051**	26,369
	56,631	17,245	**64,559**	50,734

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 and currency option 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, foreign currency forward contracts and currency option contracts. Therefore, those transactions were not designated for hedge accounting.

Details of fair value measurement are disclosed in Note 28 to the condensed consolidated financial statements.

24. PROMISSORY NOTE

A promissory note with a principal amount of RMB891,537,000 was issued to China Times Development Limited ("China Times"), the immediate holding company of the Company, on 7 March 2017 to settle the redemption of a convertible note upon the maturity date of the convertible note. The principal amount together with accrued interest of the promissory note shall be paid either in full or by installments by no later than 6 March 2022. The interest payable under the promissory note shall accrue at the rate of 4.75% per annum on the outstanding principal amount.

The Directors consider that as at 30 June 2018 the carrying amounts of the promissory note and related interest payable amounting to RMB55,807,000 (unaudited) (31 December 2017: RMB34,807,000) recognised in the condensed consolidated financial statements approximate to their fair values.

25. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases certain lands and premises under non-cancellable operating leases from Daye Group for 30 years. The Group 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.

At 30 June 2018, the Group had commitments for future minimum lease payments under a non-cancellable operating lease which fall due as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within one year	**14,537**	13,502
In the second to fifth year, inclusive	**51,017**	51,017
Over five years	**210,443**	216,820
	275,997	281,339

26. CAPITAL COMMITMENTS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Capital expenditure contracted but not provided for in respect of:		
Acquisition of property, plant and equipment	**391,175**	364,549

27. CONTINGENT LIABILITIES

The Group provided guarantees to a bank in favour of a joint venture of the Group in respect of the banking facilities provided by the bank to that joint venture. As at 31 December 2017, the aggregate amount of guarantees was RMB100,000,000. Such guarantees were released and cancelled during the current interim period upon repayment of the related loans by the joint venture.

28. 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).

28. 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 2018 (unaudited)				
Financial assets				
Derivative financial instruments	**–**	**56,631**	**–**	**56,631**
Financial liabilities				
Derivative financial instruments	**–**	**64,559**	**–**	**64,559**
Gold loans	**–**	**2,678,349**	**–**	**2,678,349**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017 (audited)				
Financial assets				
Derivative financial instruments	–	17,245	–	17,245
Financial liabilities				
Derivative financial instruments	–	50,734	–	50,734
Gold loans	–	1,804,969	–	1,804,969

28. 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			
		At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)	Fair value hierarchy	Valuation technique
Copper futures contracts:	Assets	**13,057**	4,287	Level 2	Note 1
	Liabilities	**25,085**	7,956	Level 2	Note 1
Gold futures contracts:	Assets	**3,801**	361	Level 2	Note 1
	Liabilities	**1,322**	–	Level 2	Note 1
Gold forward contracts:	Assets	**15,722**	12,597	Level 2	Note 2
	Liabilities	**34,744**	9,705	Level 2	Note 2
Silver futures contracts:	Liabilities	**357**	2,992	Level 2	Note 1
Currency forward contracts:	Assets	**24,051**	–	Level 2	Note 2
	Liabilities	**–**	3,712	Level 2	Note 2
Currency option contracts:	Liabilities	**3,051**	26,369	Level 2	Note 2
Gold loans:	Liabilities	**2,678,349**	1,804,969	Level 2	Note 3

28. 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 active markets.

(2) Discounted cash flows, future cash flows are estimated based on forward exchange rates/prices and contracted forward rates/prices, discounted at a rate that reflects the credit risk of various counterparties.

(3) Discounted cash flows, future cash flows are estimated based on gold forward prices that are discounted at a rate that reflects the credit risk of various counterparties.

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 22 and 24, 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 to their fair values.

29. 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 **2018** **RMB'000** **(unaudited)**	 2017 RMB'000 (unaudited)
Income:				
Sales of non-ferrous metals	(i)	Daye Group	**726,182**	1
	(i)	Fellow subsidiaries	**1,462,893**	1,566,585
Sales of other materials	(i)	Daye Group	**18**	253
	(i)	Fellow subsidiaries	**47,996**	48,778
Rendering of services	(i)	Daye Group	**25**	230
	(i)	Fellow subsidiaries	**786**	1,003
Interest income	(ii)	Daye Finance Company	**3,191**	3,829
	(ii)	A joint venture	**2,034**	–
Rental income for leasing of assets	(i)	Daye Group	**4,972**	4,987
	(i)	Fellow subsidiaries	**1,080**	1,080
Rental income for leasing of lands	(i)	Fellow subsidiaries	**709**	520

29. 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 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Expenses:				
Transportation fees	(i)	An associate of Daye Group	**779**	1,572
Utilities fees	(i)	Fellow subsidiaries	**156,598**	180,947
Purchases of non-ferrous metals	(i)	Daye Group	**726,182**	6
	(i)	Fellow subsidiaries	**580,146**	291,249
	(i)	An associate of Daye Group	**–**	82,674
Purchase of other products	(i)	Fellow subsidiaries	**13,665**	–
Other service expense	(i)	Fellow subsidiaries	**1,923**	2,871
Rental expense for leasing of lands	(i)	Daye Group	**5,745**	6,377
	(i)	Fellow subsidiaries	**586**	458
Rental expense for leasing of assets	(i)	Fellow subsidiaries	**–**	2,219
Interest expense	(iii)	Daye Group	**22,296**	28,820
	(iii)	Daye Finance Company	**7,061**	7,861
	(iii)	A fellow subsidiary	**2,576**	2,616
	(iv)	China Times	**21,000**	30,668
Capital expenditures:				
Construction contract fees	(i)	Fellow subsidiaries	**40,199**	90,422
Other service fees	(i)	Daye Group	**–**	12
	(i)	Fellow subsidiaries	**39,007**	40,187

29. RELATED PARTY TRANSACTIONS – CONTINUED

Transactions and balances with PRC government-related entities – continued

Notes:

(i) These transactions were conducted in accordance with terms of the relevant agreements, of which the transaction price was determined based on the government-prescribed price or by reference to market price.

(ii) The interest income arose from the deposits placed with Daye Finance Company and amounts due from a joint venture. Further details of the balance at the end of the reporting period are set out in Notes 17 and 19, and Note 18, respectively.

(iii) 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 22.

(iv) The interest expense arose from convertible note and promissory note from China Times. Further details of promissory note at the end of the reporting period are set out in Note 24.

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.