



中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

Stock Code : 00661

Interim Report

2019



MINERAL RESOURCES



HUBEI MINES

Daye City

- ★ Tonglvshan Mine
- ★ Tongshankou Mine

Yangxin County

- ★ Fengshan Mine
- ★ Chimashan Mine

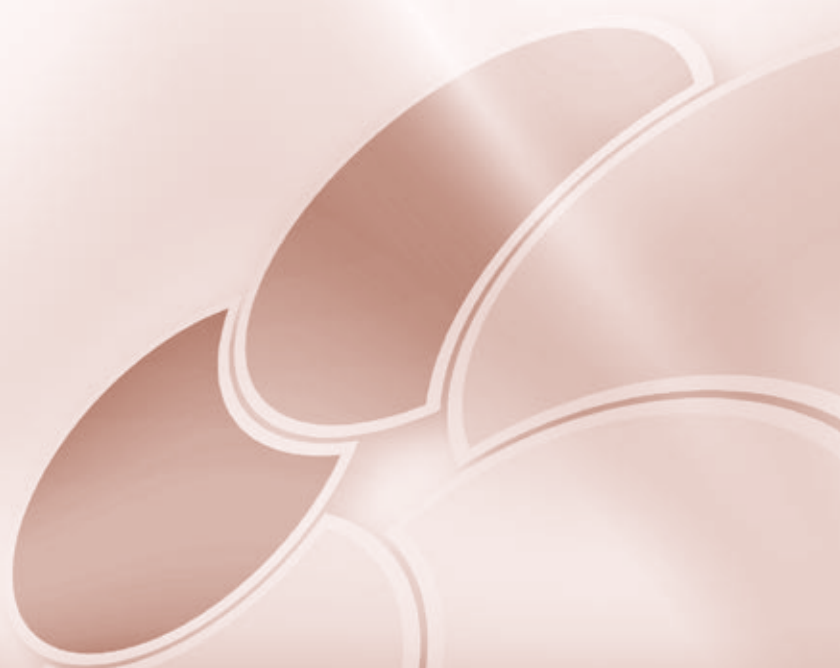
XINJIANG MINE

Wuqia County

- ★ Sareke Copper Mine

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Wang Yan (*appointed on 23 April 2019
and as the Chairman on 17 May 2019*)

Long Zhong Sheng

(*Chief Executive Officer*)

Yu Liming

Chen Zhimiao (*appointed on 21 June 2019*)

Zhai Baojin (*resigned on 23 April 2019*)

Tan Yaoyu (*resigned on 17 May 2019*)

Independent Non-executive

Directors:

Wang Guoqi

Wang Qihong

Liu Jishun

AUDIT COMMITTEE/

REMUNERATION COMMITTEE

Wang Guoqi (*Chairman*)

Wang Qihong

Liu Jishun

NOMINATION COMMITTEE

Wang Yan (*appointed on 23 April 2019
and as the Chairman on 17 May 2019*)

Wang Guoqi

Wang Qihong

Liu Jishun

Tan Yaoyu (*resigned on 17 May 2019*)

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

Suite No. 10B, 16/F, Tower 3

China Hong Kong City

China Ferry Terminal

33 Canton Road

Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited

4th floor North Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

HONG KONG BRANCH SHARE

REGISTRAR

Tricor Investor Services Limited

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

00661

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2019, China Daye Non-Ferrous Metals Mining Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) focused on work objectives throughout the year, striving to enhance the quality of its business development by aligning with the market expectations and implementing comprehensive in-depth reforms.

In the first half of 2019, the Group produced a total of approximately 13,184 tonnes of mined copper, an increase of 2.7% over the same period last year; approximately 269,308 tonnes of copper cathode, an increase of 5.8% over the same period last year; approximately 653.53 tonnes of precious metals (including approximately 6.64 tonnes of gold, approximately 628.53 tonnes of silver, approximately 11 kg of platinum, approximately 130 kg of palladium and approximately 18.22 tonnes of tellurium), an increase of 27.1% over the same period last year; approximately 595,656 tonnes of chemical products (including approximately 593,415 tonnes of sulphuric acid, approximately 1,894 tonnes of copper sulfate, approximately 251 tonnes of nickel sulphate (containing metal) and approximately 96 tonnes of crude selenium), an increase of 8.1% over the same period last year; approximately 85,500 tonnes of iron concentrate, a decrease of 22.7% over the same period last year; and approximately 40 tonnes of molybdenum, a decrease of 11.1% over the same period last year.

Improvement of technical and economic indices

The ore grade, mining loss rate, dilution rate and recovery rate of copper concentrator, as well as the smelting recovery rate of copper, gold and silver and the direct recovery rate of gold and silver of the Group had continuously improved.

Orderly progression of mines replacement

Explorations of the III and IV ore bodies of Tonglvshan Mine, the southern edge of Fengshan Mine and the middle portion of Tongshankou Mine have generally met the time schedule requirements. Progressions in the integrated utilisation of tailings pond and the development and utilisation of non-metal resources of Tongshankou Mine had also been accelerated.

Further expansion into the circular economy industry

Exerting the synergy effect of the smelting systems, the Group stepped up its efforts in handling used scrap printed circuit boards. With the storing-sorting-treating process further enhanced in the first half of the year, the Group handled 1,000 tonnes of used circuit boards.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

In the second half of 2019, the Group will focus on the main subject of “enhancing production, improving indices, reducing costs and expanding market” with pragmatic and cautious attitude in a continuous and proactive effort to align with the market mechanism.

As to the mines, the Group will ensure that each mine is at full production capacity and achieve their annual production volume targets. Tonglvshan Mine will focus on the production volume and grades of ore supply, especially dedicated to promoting highly efficient mining method, ore prospecting at margin areas and recovering remnant ores. Fengshan Mine will revolve around its annual targets, organise the drillings of high-grade pits and mining and filling of medium deep borehole through scientific method, and speed up the progress of the exploration and cutting engineering work of the northern edge and western area, so as to ensure the balance of ore supply in the southern and northern edges. Tongshankou Mine will maintain the balance of mining and stripping of open-pit platforms to achieve stable ore supply capability. Sareke Copper Mine will improve the technology standards of mining and processing technologies, and continuously strengthen underground mining methods and optimise filling methods, so as to ensure the balance and stability of production on a continuous basis.

With respect to smelting, the Group will focus on its annual production volume targets, reasonably organise its production and ensure stable operation of the system. The maintenance and repair of equipment will be strengthened to increase the utilisation rate of running the Ausmelt furnace system to ensure that the rate is above 95% stably.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019:

Mines	Exploration activities	Development activities	Mining production activities
Tonglvshan Mine	Horizontal drilling reached 3,052.1m/40 holes, and pit drilling reached 786m/6,146m ³ .	The total completed drilling volume of middle portion and sublevel for the development of the -545m and -605m middle portion of No. III and No. IV ore bodies of Tonglvshan Mine was 7,172m ³ from January to June 2019.	Copper: 3,854 tonnes Gold: 212 kg Silver: 1,636 kg Iron concentrate: 85,500 tonnes
Fengshan Mine	Horizontal drilling reached 1,814m/23 holes, and pit drilling reached 1,994.9m/14,758.2m ³ .	The total completed drilling volume of middle portion for the development of the -440m middle portion of Fengshan Mine was 6,723m ³ from January to June 2019. The total completed drilling volume of ramps and middle portion for the development of the -440m to -740m middle portion of Fengshan Mine was 1,504m ³ from January to June 2019.	Copper: 2,561 tonnes Gold: 54 kg Silver: 2,152 kg Molybdenum: 40 tonnes
Tongshankou Mine	Horizontal drilling reached 983.1m/13 holes, and pit drilling reached 197.3m/2,048.7m ³ .	The total completed drilling volume of middle portion and sublevel drift for the development of the -220m and -280m middle portion of Tongshankou Mine was 12,649m ³ from January to June 2019.	Copper: 3,418 tonnes Silver 1,449 kg
Chimashan Mine	No significant progress was made for the six months ended 30 June 2019.		
Sareke Copper Mine	<ol style="list-style-type: none"> Horizontal drilling of the pit of the Northern mine reached 2,920.3m/62 holes, and pit drilling reached 79.6m/744.6m³. Drilling of the Southern mine exploration project reached 1,570.45m/8 holes. 	For the Sareke Copper Mine, the total completed drilling volume was 844.6m/6,496.2m ³ from January to June 2019. The accumulative completed drilling volume for the development of the 2,640m middle portion was 96.2m/594.2m ³ . The accumulative completed drilling volume for the development of the 2,670m middle portion was 728.1m/5,733.4m ³ . The accumulative completed drilling volume for the development of the 2,730m middle portion was 23.9m/168.6m ³ .	Copper: 3,350 tonnes Silver: 2,652 kg

MANAGEMENT DISCUSSION AND ANALYSIS

Infrastructure projects, subcontracting arrangements and purchases of equipment

During the six months ended 30 June 2019, 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	Subcontracting arrangements	Purchases of equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Tonglvshan Mine	60,340	–	720	61,060
Fengshan Mine	5,330	–	2,407	7,737
Tongshankou Mine	22,609	–	4,100	26,709
Chimashan Mine	–	–	–	–
Sareke Copper Mine	6,372	10,000	–	16,372
Total	94,651	10,000	7,227	111,878

Expenditures incurred

During the six months ended 30 June 2019, the Group incurred expenditures of approximately RMB1,021,820,000 (six months ended 30 June 2018: RMB697,897,000) on exploration, development and mining production activities, details of which are set out below:

Mines	Operating expenses RMB'000	Capital expenditures RMB'000	Six months ended 30 June	
			2019 Total RMB'000	2018 Total RMB'000
Tonglvshan Mine	216,405	305,698	522,103	271,071
Fengshan Mine	95,114	42,059	137,173	103,732
Tongshankou Mine	143,538	101,030	244,568	173,439
Chimashan Mine	2,955	(370)	2,585	3,422
Sareke Copper Mine	109,019	6,372	115,391	146,233
Total	567,031	454,789	1,021,820	697,897

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Tonglvshan Mine	Fengshan Mine	Tongshankou Mine	Chimashan Mine	Sareke Copper Mine
Exploration activities					
Drilling and analysis	8,778	4,423	2,420	(370)	-
Others	-	-	-	-	-
Sub-total	8,778	4,423	2,420	(370)	-
Development activities (including mine construction)					
Purchase of assets and equipment	2,300	720	573	-	-
Civil work for construction of tunnels and roads	292,228	36,916	93,856	-	6,372
Staff cost	-	-	-	-	-
Others	2,392	-	4,181	-	-
Sub-total	296,920	37,636	98,610	-	6,372
Mining production activities (including ore processing)					
Auxiliary material	15,123	3,514	17,906	-	28,526
Power supply	15,141	8,211	16,503	-	4,871
Staff cost	70,725	37,320	31,197	1,543	4,003
Depreciation	55,995	17,708	51,529	-	35,581
Taxes, resource compensation	10,436	6,211	8,252	309	6,216
Sub-contracting service	11,848	5,848	-	-	-
Others (administrative expenses, selling expenses, non-operating expenditures)	37,137	16,302	18,151	1,103	29,822
Sub-total	216,405	95,114	143,538	2,955	109,019
Total	522,103	137,173	244,568	2,585	115,391

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's revenue increased by 6.26% to RMB17,377.4 million during the period over the same period last year of RMB16,354.0 million. The increase in revenue was mainly attributable to the increase in the sales of other copper products, gold and other gold products, and silver and other silver products.

Gross profit for the six months ended 30 June 2019 amounted to RMB442.3 million (six months ended 30 June 2018: RMB349.7 million), representing an increase of 26.5% from the previous period. The increase was mainly due to the increase in sales volume for the six months ended 30 June 2019.

Finance costs for the six months ended 30 June 2019 amounted to RMB255.3 million (six months ended 30 June 2018: RMB200.7 million), representing an increase of 27.2% from the previous period. The increase was mainly due to the increase in interest on bank and other borrowings.

FINANCIAL MANAGEMENT AND TREASURY POLICY

The Group adopts a conservative approach for cash management and investment on uncommitted funds. We place cash and cash equivalents (which are mostly held in RMB) in short term deposits with authorized institutions in Hong Kong and the PRC.

During the six months ended 30 June 2019, the Group's receipts and payments were mainly denominated in RMB.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had restricted and pledged bank deposits, and cash and bank balances of RMB2,006.8 million (31 December 2018: RMB928.3 million), of which the majority were denominated in Renminbi ("**RMB**"), with a current ratio of 1.02 (31 December 2018: 1.03), based on the current assets of RMB8,282.5 million (31 December 2018: RMB8,364.7 million) and current liabilities of RMB8,121.0 million (31 December 2018: RMB8,083.4 million). The Group's gearing ratio was 404.3% (31 December 2018: 449.4%) 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 RMB9,050.7 million (31 December 2018: RMB10,055.8 million) divided by equity attributable to owners of the Company of RMB2,238.7 million (31 December 2018: RMB2,237.5 million). The decrease in gearing ratio was mainly due to the increase in cash and bank balances compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2019, the Group had bank and other borrowings of RMB5,557.8 million (31 December 2018: RMB5,178.2 million) and RMB4,510.1 million (31 December 2018: RMB4,837.2 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 2019, the Group had a total of 5,652 employees (30 June 2018: 6,309). The Group's total staff costs for the six months ended 30 June 2019 was approximately RMB322.1 million (six months ended 30 June 2018: RMB316.9 million). The remuneration packages consist of basic salary, retirement benefits scheme contributions, medical insurance and other benefits considered as appropriate. Remuneration packages are generally structured with reference to market terms, individual qualification and performance of the employee. They are periodically reviewed based on individual merit and other market factors.

FOREIGN EXCHANGE EXPOSURE

The Group operates in the PRC with most of the transactions settled in RMB except for certain purchases from the international market that are conducted in United States 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 derivative financial instruments, when necessary, to manage its foreign exchange exposure. During the period, certain currency forward contracts, currency exchange swap contracts and currency option contracts had been entered into by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2019.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2019, other deposits which amounted to RMB55.5 million (31 December 2018: RMB69.1 million) were held in futures exchanges and certain financial institutions as security for the commodity derivative contracts and other financing were secured by bank deposits and balances amounting to RMB343.0 million (31 December 2018: RMB66.7 million).

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, 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 2019 (six months ended 30 June 2018: Nil).

BOARD OF DIRECTORS

Composition of the Board

As at 30 June 2019, 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	
Wang Yan (<i>Chairman</i>)	23 April 2019
Long Zhong Sheng (<i>Chief Executive Officer</i>)	22 March 2012
Yu Liming	19 June 2018
Chen Zhimiao	21 June 2019
Independent Non-Executive Directors	
Wang Guoqi	13 January 2006
Wang Qihong	13 January 2006
Liu Jishun	31 July 2014

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2019, 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:

Long Positions in Shares of the Company

Name of Director	Capacity	Nature of interest	Number of shares	Approximate percentage of total shares in issue as at 30 June 2019 (%) (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:

- 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.
- The percentage of shareholding is calculated based on 17,895,579,706 issued shares of the Company as at 30 June 2019.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 June 2019, 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 or 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 2019 (%) (Note 4)
China Times Development Limited	Beneficial owner	11,962,999,080	66.85
Daye Nonferrous Metals Group Holding Co., Ltd.	Interest in a controlled corporation	11,962,999,080 (Note 1)	66.85
China Nonferrous Metal Mining (Group) Co., Ltd.	Interest in a controlled corporation	11,962,999,080 (Note 2)	66.85
China Cinda (HK) Asset Management Co., Limited	Beneficial owner	936,953,542	5.24
China Cinda Asset Management Co., Limited	Interest in a controlled corporation	936,953,542 (Note 3)	5.24

Notes:

- 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.
- These Shares were held by China Times Development Limited, 57.99% of the equity interest in Daye Nonferrous Metals Group Holding Co., Ltd. were beneficially owned by China Nonferrous Metal Mining (Group) Co., Ltd.
- 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.
- These percentages are calculated based on 17,895,579,706 issued shares of the Company as at 30 June 2019.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any other persons (other than the Directors and chief executives 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 2019, the total number of issued and fully paid ordinary shares of the Company was 17,895,579,706 with 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 2019.

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 2019 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

NOMINATION COMMITTEE

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

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

The Nomination Committee currently comprises one executive Director, Mr. Wang Yan, 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 2019.

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 2019, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

On 28 August 2019, Daye Non-ferrous Metals Co., Ltd. (a non-wholly owned subsidiary of the Company) ("**Daye Metal**"), China No.15 Metallurgical Construction Group Co., Ltd. (a wholly-owned subsidiary of China Nonferrous Metal Mining (Group) Co., Ltd., the ultimate holding company of the Company), Huangshi Xingang Development Co., Ltd. and Huangshi State-owned Assets Management Co., Ltd. entered into a capital contribution agreement, pursuant to which the parties have agreed to establish Daye Non-ferrous (Xingang) Copper Co., Ltd. (the name is subject to the final approval by the relevant industry and commerce authorities of the PRC) and Daye Metal has agreed to contribute RMB1.3 billion to the capital of Daye Non-ferrous (Xingang) Copper Co., Ltd., representing 52% of the equity interests in Daye Non-ferrous (Xingang) Copper Co., Ltd.. Huangshi Xingang Development Co., Ltd. and Huangshi State-owned Assets Management Co., Ltd. are state-owned enterprises established in the PRC.

At the date of issuance of the condensed consolidated financial statements, the above transaction has not yet been completed and is subject to, among others, the approval by the independent shareholders of the Company.

Please refer to the announcement of the Company dated 30 August 2019 for further details of the transaction.

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 2018 Annual Report of the Company in relation to matters set out in paragraph 32 of Appendix 16 to the Listing Rules.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Daye Non-Ferrous Metals Mining Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 19 to 60, which comprises the condensed consolidated statement of financial position as at 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	4, 5	17,377,369	16,354,037
Cost of sales and services rendered		(16,935,029)	(16,004,367)
Gross profit		442,340	349,670
Other income	6	34,265	30,716
Selling expenses		(22,789)	(32,806)
Administrative expenses		(154,974)	(172,519)
Other operating expenses		(8,026)	(7,046)
Other gains and losses	7	(4,801)	(1,343)
(Impairment losses)/reversal of impairment losses under expected credit loss model, net	8	(20,139)	207
Finance costs	9	(255,266)	(200,701)
Share of results of joint ventures		–	(15,750)
Profit/(loss) before tax		10,610	(49,572)
Income tax expense	10	(6,709)	(9,732)
Profit/(loss) and total comprehensive income/(expense) for the period	11	3,901	(59,304)
Profit/(loss) and total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		1,281	(68,287)
Non-controlling interests		2,620	8,983
		3,901	(59,304)
Earnings/(loss) per share	13		
– Basic		RMB0.01fen	RMB(0.38)fen
– Diluted		RMB0.01fen	RMB(0.38)fen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	14	6,828,566	7,045,432
Right-of-use assets		835,316	–
Exploration and evaluation assets		12,436	49,479
Prepaid lease payments		–	676,764
Intangible assets		675,213	623,545
Investment in joint ventures		–	–
Deferred tax assets	15	115,043	121,738
Other deposits	18	37,201	46,916
Restricted bank deposits	20	43,355	43,355
		8,547,130	8,607,229
CURRENT ASSETS			
Prepaid lease payments		–	21,611
Inventories	16	4,230,780	5,079,176
Trade and bills receivables	17	1,308,208	745,415
Other deposits	18	55,504	69,095
Prepayments and other receivables	19	472,314	1,444,472
Derivative financial instruments	24	252,173	119,966
Restricted and pledged bank deposits	20	299,685	23,304
Cash and bank balances	20	1,663,796	861,616
		8,282,460	8,364,655
CURRENT LIABILITIES			
Trade and bills payables	21	1,480,759	1,903,197
Other payables and accrued expenses	22	864,406	815,115
Contract liabilities		145,684	82,398
Lease liabilities		4,390	–
Bank and other borrowings	23	5,557,812	5,178,212
Derivative financial instruments	24	30,296	58,108
Early retirement obligations		37,604	44,850
Current income tax liabilities		–	1,531
		8,120,951	8,083,411
NET CURRENT ASSETS		161,509	281,244
TOTAL ASSETS LESS CURRENT LIABILITIES		8,708,639	8,888,473

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		727,893	727,893
Share premium and reserves		1,510,849	1,509,568
Equity attributable to owners of the Company		2,238,742	2,237,461
Non-controlling interests		181,173	178,553
TOTAL EQUITY		2,419,915	2,416,014
NON-CURRENT LIABILITIES			
Other payables	22	287,986	287,855
Bank and other borrowings	23	4,510,079	4,837,197
Promissory note		989,691	968,692
Lease liabilities		138,967	–
Provisions for mine rehabilitation, restoration and dismantling		46,059	45,407
Deferred income		186,896	189,768
Early retirement obligations		129,046	143,540
		6,288,724	6,472,459
		8,708,639	8,888,473

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 2019 (unaudited)											
At 1 January 2019 (audited)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	115,451	5,876	(478,881)	2,237,461	178,553	2,416,014
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	1,281	1,281	2,620	3,901
Appropriation of maintenance and production funds	-	-	-	-	-	30,968	-	(30,968)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(28,582)	-	28,582	-	-	-
At 30 June 2019 (unaudited)	727,893	1,554,303	124,592	4,373,075	(4,184,848)	117,837	5,876	(479,986)	2,238,742	181,173	2,419,915
Six months ended 30 June 2018 (unaudited)											
At 1 January 2018 (audited)	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	419,507	(503,336)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		
Interest received	15,812	7,472
Payments for property, plant and equipment	(130,792)	(207,309)
Payments for exploration and evaluation assets	(27,745)	(2,943)
Payments for intangible assets	(13,704)	(2,131)
Decrease in short-term advances to Daye Nonferrous Metals Group Holding Co., Ltd ("Daye Group", an intermediate holding company of the Company)	1,143,670	–
Proceeds from disposal of property, plant and equipment	84	282
Advances to joint ventures	–	(86,693)
Repayments from joint ventures	28,775	–
Advances to fellow subsidiaries	(562)	–
Placement of restricted and pledged bank deposits	(288,881)	(1,005,777)
Withdrawal of restricted and pledged bank deposits	12,500	314,992
Receipts of government grants	7,700	–
	746,857	(982,107)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		
Proceeds from new bank borrowings	4,590,802	3,896,594
Repayments of bank borrowings	(3,676,038)	(3,225,505)
Repayments of other loans	(500)	(500)
Loans from Daye Group	7,202	305,993
Repayment of loans from Daye Group	(11,878)	(409,094)
Advance from a fellow subsidiary	234,003	55,953
Repayments to a fellow subsidiary	(426,820)	–
Loans from Daye Nonferrous Metals Group Finance Co., Ltd. (“Daye Finance Company”, a fellow subsidiary)	100,000	90,000
Repayment of loans from Daye Finance Company	(250,000)	(90,000)
Proceeds from gold loans	885,659	2,412,842
Repayments of gold loans	(1,585,915)	(1,527,587)
Advance from joint ventures	77	–
Repayment to a joint venture	–	(1)
Repayment to Daye Group	(955)	–
Finance costs paid	(234,578)	(178,633)
Other financing cash flows	3,896	–
	(365,045)	1,330,062
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	801,319	(155,381)
Cash and cash equivalents at beginning of the period	861,616	957,112
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	861	6,514
Cash and cash equivalents at end of the period, represented by:		
Cash and bank balances	1,663,796	808,245

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019 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 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 2018.

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 26, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to 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 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	<i>Leases</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases* – continued

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 – continued*

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff apartments that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases* – continued

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 – continued*

As a lessee – continued

Right-of-use assets – continued

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases* – continued

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 16 – continued*

As a lessee – continued

Lease liabilities – continued

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases* – continued

3.1.2 *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. The application of HKFRS 16 has had no impact on the opening accumulated losses.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases* – continued

3.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 – continued*

As a lessee – continued

- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within twelve months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of lands in the PRC was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB151,350,000 and right-of-use assets of RMB849,725,000 at 1 January 2019. The additional right-of-use assets was recognised at amounts equal to the related lease liabilities by applying HKFRS 16 C8(b)(ii) transition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases* – continued

3.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 – continued*

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.9%.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	267,870
Less: Impact on value-added tax	(22,115)
	245,755
Lease liabilities discounted at relevant incremental borrowing rates	151,383
Less: Recognition exemption – short-term leases	(33)
Lease liabilities as at 1 January 2019	151,350
Analysed as	
Current	4,285
Non-current	147,065
	151,350

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases* – continued

3.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 – continued*

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	151,350
Reclassified from prepaid lease payments (Note)	698,375
	<hr/> 849,725
By class:	
Leasehold lands	849,725

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB21,611,000 and RMB676,764,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

3.1 Impacts and changes in accounting policies of application of HKFRS 16 *Leases* – continued

3.1.2 *Transition and summary of effects arising from initial application of HKFRS 16 – continued*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current assets			
Prepaid lease payments	676,764	(676,764)	–
Right-of-use assets	–	849,725	849,725
Current assets			
Prepaid lease payments	21,611	(21,611)	–
Current liabilities			
Lease liabilities	–	(4,285)	(4,285)
Non-current liabilities			
Lease liabilities	–	(147,065)	(147,065)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers for the period is as follows:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Sales of goods	17,355,593	16,331,686
Rendering of services	21,776	22,351
	17,377,369	16,354,037
Timing of revenue recognition:		
A point in time	17,355,593	16,331,686
Over time	21,776	22,351
	17,377,369	16,354,037

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 condensed 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. SEGMENT INFORMATION – CONTINUED

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Sales of goods:		
Copper cathodes	12,224,896	12,900,652
Other copper products	521,904	119,670
Gold and other gold products	2,032,100	1,395,078
Silver and other silver products	2,275,475	1,649,525
Sulphuric acid and sulphuric concentrate	119,361	93,648
Iron ores	62,127	57,645
Others	119,730	115,468
	17,355,593	16,331,686
Rendering of services:		
Copper processing	15,701	17,124
Others	6,075	5,227
	21,776	22,351
Total revenue	17,377,369	16,354,037

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. SEGMENT INFORMATION – CONTINUED

Geographical information

The Group operates in three principal geographical areas – Mainland China, 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 2019 RMB’000 (unaudited)	At 31 December 2018 RMB’000 (audited)
Mainland China	8,388,346	8,416,388
Hong Kong	289	25,626
Mongolia	97	122
	8,388,732	8,442,136

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

	Six months ended 30 June	
	2019 RMB’000 (unaudited)	2018 RMB’000 (unaudited)
Mainland China	16,448,326	16,256,759
Hong Kong	413,157	7,247
Others	515,886	90,031
	17,377,369	16,354,037

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

6. OTHER INCOME

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest income from banks	2,186	5,434
Interest income from Daye Group	13,622	–
Interest income from Daye Finance Company*	2,658	3,191
Interest income from a joint venture	2,784	2,034
Government grants	288	2,379
Deferred income released	10,619	10,461
Rental income	2,108	7,217
	34,265	30,716

* A non-banking financial institution.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Fair value changes from:		
Commodity derivatives contracts	(223)	8,976
Currency forward contracts	(1,301)	27,763
Currency option contracts	37,308	23,318
Gold forward contracts	97,426	(21,914)
Currency exchange swap contracts	4,461	–
Gold loans designated as financial liabilities at fair value through profit or loss ("FVTPL")	(118,729)	11,875
Loss on disposal of property, plant and equipment, net	(2)	(2,618)
Exchange losses, net	(23,741)	(38,669)
Other losses (Note)	–	(10,074)
	(4,801)	(1,343)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. OTHER GAINS AND LOSSES – CONTINUED

Note:

The amount in the prior period mainly represented compensation paid of RMB10,074,000 (unaudited) in relation to a partial dam failure occurred on 12 March 2017 at the northwestern corner of tailings pond at Tonglvshan Mine of the Group located in Hubei Province, the PRC. Up to 30 June 2019, the Group has received advance compensation totaling RMB47,000,000 (unaudited) (31 December 2018: RMB47,000,000) from an insurance company, which was recorded under “Other payables and accrued expenses”.

8. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
(Impairment losses)/reversal of impairment losses under expected credit loss model, net, on:		
Trade receivables measured at amortised cost	–	(393)
Other receivables	(20,139)	600
	(20,139)	207

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

9. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest on bank and other borrowings	211,594	153,298
Interest on loans from Daye Group	7,595	22,296
Interest on loans from Daye Finance Company	6,374	7,061
Interest on loans from and amounts due to a fellow subsidiary	9,015	2,576
Interest on promissory note	21,000	21,000
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	652	661
Unwind interest of early retirement obligations	3,990	2,450
Interest on lease liabilities	3,708	–
Total borrowing costs	263,928	209,342
Less: Borrowing costs capitalised in the cost of qualifying assets	(8,662)	(8,641)
	255,266	200,701

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax	14	–
Deferred tax (Note 15)	6,695	9,732
	6,709	9,732

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Employee benefits expense (including directors' remuneration):		
Salaries, wages and welfare	256,562	261,839
Retirement benefit schemes contributions	65,508	55,015
Total staff costs*	322,070	316,854
Cost of sale and services rendered:		
Cost of inventories recognised as an expense	16,906,941	15,989,090
Direct operating expense arising from services provided	28,088	15,277
	16,935,029	16,004,367
Depreciation of property, plant and equipment**	314,639	301,336
Amortisation of intangible assets**	26,824	25,304
Amortisation of prepaid lease payments**	–	10,805
Depreciation of right-of-use assets**	14,409	–

* During the current interim period, staff costs of RMB299,272,000 (unaudited) (six months ended 30 June 2018: RMB283,384,000 (unaudited)) was capitalised to inventories.

** During the current interim period, depreciation of property, plant and equipment of RMB308,007,000 (unaudited) (six months ended 30 June 2018: RMB283,794,000 (unaudited)), and amortisation/depreciation of intangible assets and right-of-use assets (six months ended 30 June 2018: prepaid lease payment) totaling RMB18,086,000 (unaudited) (six months ended 30 June 2018: RMB16,606,000 (unaudited)) was capitalised to inventories.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

12. 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.

13. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Earnings/(loss)		
Earnings/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	1,281	(68,287)
	'000	'000
Number of ordinary shares		
Number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	17,895,580	17,895,580

The computation of diluted earnings/(loss) per share for both periods does not assume the conversion of the promissory note as the issue price is determined by reference to the market price of the shares of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB130,792,000 (unaudited) (six months ended 30 June 2018: RMB207,309,000 (unaudited)) for construction costs for copper mines and for acquisition of plant and machinery.

In addition, during the current interim period, the Group disposed of certain plant and machinery, and motor vehicles with an aggregate carrying amount of RMB86,000 (unaudited) (six months ended 30 June 2018: RMB2,900,000 (unaudited)) for cash proceeds of RMB84,000 (unaudited) (six months ended 30 June 2018: RMB282,000 (unaudited)), resulting in a loss on disposal of RMB2,000 (unaudited) (six months ended 30 June 2018: RMB2,618,000 (unaudited)).

15. DEFERRED TAX

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 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Deferred tax assets	115,043	121,738

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. DEFERRED TAX – 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 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
At 1 January 2019 (audited)	22,568	11,352	47,059	60,238	10,342	401	2,785	154,745
(Charged)/credited to profit or loss	(909)	163	(6,428)	35	-	-	(211)	(7,350)
At 30 June 2019 (unaudited)	21,659	11,515	40,631	60,273	10,342	401	2,574	147,395

Deferred tax liabilities

	Mining rights RMB'000
At 1 January 2018 (audited)	(34,316)
Credited to profit or loss	655
At 30 June 2018 (unaudited)	(33,661)
At 1 January 2019 (audited)	(33,007)
Credited to profit or loss	655
At 30 June 2019 (unaudited)	(32,352)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. INVENTORIES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Raw materials	828,831	1,051,153
Work in progress	1,397,048	1,538,959
Finished goods	320,305	579,345
Goods in transit	1,684,596	1,909,719
	4,230,780	5,079,176

17. TRADE AND BILLS RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade receivables	307,278	367,306
Less: Allowance for credit losses	(10,882)	(10,882)
	296,396	356,424
Bills receivables, at amortised cost:		
Bills receivable on hand	105,428	137,436
Endorsed to suppliers	41,383	33,505
Discounted to banks	864,961	218,050
Notes receivable on hand	40	-
	1,011,812	388,991
Total trade and bills receivables	1,308,208	745,415
Analysed for reporting purpose as:		
Trade and bills receivables measured at amortised cost	1,308,208	737,906
Trade receivables measured at FVTPL	-	7,509
Total trade and bills receivables	1,308,208	745,415

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. TRADE AND BILLS RECEIVABLES – CONTINUED

The majority of sales are made under contractual arrangements whereby a significant portion of transaction price is received before delivery or promptly after delivery. Bills receivables are matured within one year.

Certain trade receivables are under provisionally priced sales arrangements and measured in its entirety as at FVTPL at 30 June 2019 and 31 December 2018.

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 for credit losses.

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 year	290,803	354,622
More than 1 year, but less than 2 years	3,808	369
More than 2 years, but less than 3 years	365	1,238
Over 3 years	1,420	195
	296,396	356,424

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade receivables:		
Fellow subsidiaries	201,475	239,708
Daye Group	1	1
Bills receivables:		
Daye Group	610,000	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. TRADE AND BILLS RECEIVABLES – CONTINUED

The above balances with related parties are unsecured, interest-free and are repayable according to the relevant sales contracts. The bills receivables from Daye Group are matured within one year.

18. OTHER DEPOSITS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Classified under non-current assets:		
Deposits for acquisition of property, plant and equipment	12,105	11,423
Deposits for environment rehabilitation (Note (a))	19,785	30,191
Deposits for land restoration (Note (b))	5,311	5,302
	37,201	46,916
Classified under current assets:		
Margin deposits (Note (c))	55,504	69,095

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) The balances represent deposits in margin accounts held in Shanghai Futures Exchange, other futures exchanges and certain financial institutions as security for the commodity derivative contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

19. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Prepayments for inventories	166,446	101,182
Value-added tax recoverable	153,322	17,612
Prepayments made to fellow subsidiaries	6,095	–
Short-term advances to Daye Group	–	1,146,402
Loans to a joint venture (Note (a))	133,170	125,000
Amounts due from joint ventures of the Group (Note (b))	4,745	33,520
Amounts due from fellow subsidiaries (Note (b))	654	92
Other receivables	50,790	43,433
	515,222	1,467,241
Less: Allowance for credit losses on other receivables	(42,908)	(22,769)
	472,314	1,444,472

Notes:

- (a) The loans to a joint venture are unsecured, carry fixed interest rates ranging from 4.35% to 4.60% (31 December 2018: 4.35% to 4.60%) per annum and repayable within one year.
- (b) The amounts due from joint ventures and fellow subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

Restricted and pledged bank deposits

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Classified under non-current assets: Bank deposits (Note (a))	43,355	43,355
Classified under current assets: Restricted bank balances (Note (b))	299,685	23,304

Notes:

- (a) The bank deposits are placed with Daye Finance Company and are pledged as security for the Group's other loans from a third party financing company, which are not repayable within one year (Note 23). These deposits bear interest at a rate of 3.58% (31 December 2018: 3.58%) per annum.
- (b) The bank balances are mainly held in designated bank accounts as security for the letters of credit (31 December 2018: security for letters of credit and the Group's bills payables).

Cash and bank balances

As at 30 June 2019, the balances included saving deposits of RMB591,048,000 (unaudited) (31 December 2018: RMB557,527,000) placed with Daye Finance Company, which bear interest at rates ranging from 0.53% to 1.50% (31 December 2018: 0.53% to 1.50%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. TRADE AND BILLS PAYABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trade payables	1,480,759	1,840,697
Bills payables	–	62,500
	1,480,759	1,903,197

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 year	1,420,667	1,828,020
More than 1 year, but less than 2 years	53,532	2,664
More than 2 years, but less than 3 years	160	844
Over 3 years	6,400	9,169
	1,480,759	1,840,697

Included in the Group's trade payables as at 30 June 2019 were payables to fellow subsidiaries of RMB47,659,000 (unaudited) (31 December 2018: RMB30,522,000). The payables to fellow subsidiaries are unsecured, interest-free and repayable according to respective purchase contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

22. OTHER PAYABLES AND ACCRUED EXPENSES

Included in the Group's other payables under current liabilities as at 30 June 2019 were payables to Daye Group and a joint venture of the Group of RMB29,428,000 (unaudited) (31 December 2018: RMB30,383,000) and RMB15,041,000 (unaudited) (31 December 2018: RMB14,964,000), respectively. The above payables to Daye Group and a joint venture of the Group are unsecured, interest-free and repayable on demand.

Also included in the Group's other payables and accrued expenses under current liabilities and other payables under non-current liabilities as at 30 June 2019 totalling were payables for purchase of property, plant and equipment from fellow subsidiaries of RMB454,546,000 (unaudited) (31 December 2018: RMB464,381,000) in relation to the construction work conducted by these fellow subsidiaries. The above payables are unsecured and repayable in accordance with the terms of the relevant construction contracts, and except for the payables to a fellow subsidiary of RMB281,855,000 (unaudited) (31 December 2018: RMB287,855,000) which bear interest at 4.35% (31 December 2018: 4.35%) per annum, the remaining payables are interest-free.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

23. BANK AND OTHER BORROWINGS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Bank borrowings:		
Secured	864,961	218,050
Unsecured	6,078,905	5,759,000
Other borrowings:		
Loans from Daye Group, unsecured*	198,791	203,892
Loans from Daye Finance Company, unsecured*	235,324	385,662
Loans from a fellow subsidiary, unsecured*	–	192,817
Gold loans	2,182,956	2,748,328
Other loans secured by bank deposits (Note 20(a))	506,954	507,660
	10,067,891	10,015,409
Bank borrowings carrying amounts repayable:		
Within 1 year	4,731,461	4,231,974
More than 1 year, but not exceeding 2 years	2,033,500	1,470,076
More than 2 years, but not exceeding 5 years	177,000	275,000
More than 5 years	1,905	–
	6,943,866	5,977,050
Other borrowings carrying amounts repayable:		
Within 1 year	826,351	946,238
More than 1 year, but not exceeding 2 years	1,641,817	2,362,026
More than 2 years, but not exceeding 5 years	614,000	626,567
More than 5 years	41,857	103,528
	3,124,025	4,038,359
Less: Amounts due within 1 year shown under current liabilities	(5,557,812)	(5,178,212)
Amounts shown under non-current liabilities	4,510,079	4,837,197

* The loans from Daye Group bear interests ranging from 1.20% to 6.00% (31 December 2018: 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 2018: 3.915% to 5.225%) per annum and are repayable in various maturity dates up to 11 October 2020. The loans from a fellow subsidiary bore a three-year interest rate quoted by People's Bank of China per annum and were fully settled during the current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Current assets		Current liabilities	
	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Carried at fair value:				
– Copper futures contracts	5,793	2,049	22,436	39,692
– Copper option contracts	–	–	–	156
– Gold futures contracts	691	1,508	–	359
– Gold forward contracts	210,470	113,044	–	–
– Silver futures contracts	3,368	1,941	–	–
– Currency forward contracts	123	1,424	–	–
– Currency exchange swap contract	4,461	–	–	–
– Currency option contracts	27,267	–	7,860	17,901
	252,173	119,966	30,296	58,108

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, currency exchange swap contracts 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 26 to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

25. CAPITAL COMMITMENTS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Capital expenditure contracted but not provided for in respect of:		
Acquisition of property, plant and equipment	391,322	374,531

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2019 (unaudited)				
<i>Financial assets</i>				
Commodity futures contracts	-	9,852	-	9,852
Other derivative financial instruments	-	242,321	-	242,321
<i>Financial liabilities</i>				
Commodity futures contracts	-	22,436	-	22,436
Other derivative financial instruments	-	7,860	-	7,860
Gold loans	-	2,182,956	-	2,182,956
At 31 December 2018 (audited)				
<i>Financial assets</i>				
Commodity futures contracts	-	5,498	-	5,498
Other derivative financial instruments	-	114,468	-	114,468
<i>Financial liabilities</i>				
Commodity futures contracts	-	40,051	-	40,051
Other derivative financial instruments	-	18,057	-	18,057
Gold loans	-	2,748,328	-	2,748,328

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

26. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

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

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

		Fair value		Fair value hierarchy	Valuation technique
		At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)		
Copper futures contracts:	Assets	5,793	2,049	Level 2	Note 1
	Liabilities	22,436	39,692	Level 2	Note 1
Copper option contracts:	Liabilities	–	156	Level 2	Note 2
Gold futures contracts:	Assets	691	1,508	Level 2	Note 1
	Liabilities	–	359	Level 2	Note 1
Gold forward contracts:	Assets	210,470	113,044	Level 2	Note 2
Silver futures contracts:	Assets	3,368	1,941	Level 2	Note 1
Currency forward contracts:	Assets	123	1,424	Level 2	Note 2
Currency exchange swap contracts:	Assets	4,461	–	Level 2	Note 2
Currency option contracts:	Assets	27,267	–	Level 2	Note 2
	Liabilities	7,860	17,901	Level 2	Note 2
Gold loans:	Liabilities	2,182,956	2,748,328	Level 2	Note 3

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

26. 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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

27. RELATED PARTY TRANSACTIONS

Transactions and balances with PRC government-related entities

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

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

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

	Notes	Related parties	Six months ended 30 June	
			2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Income:				
Sales of non-ferrous metals	(i)	Daye Group	570,236	726,182
	(i)	Fellow subsidiaries	1,783,585	1,462,893
Sales of other materials	(i)	Daye Group	63	18
	(i)	Fellow subsidiaries	41,952	47,996
Rendering of services	(i)	Daye Group	–	25
	(i)	Fellow subsidiaries	251	786
Interest income	(ii)	Daye Finance Company	2,658	3,191
	(ii)	A joint venture	2,784	2,034
	(v)	Daye Group	13,622	–
Rental income for leasing of assets	(i)	Daye Group	–	4,972
	(i)	Fellow subsidiaries	1,069	1,080
Rental income for leasing of lands	(i)	Fellow subsidiaries	699	709

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

27. RELATED PARTY TRANSACTIONS – CONTINUED

Transactions and balances with PRC government-related entities – continued

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

	Notes	Related parties	Six months ended 30 June	
			2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Expenses:				
Transportation fees	(i)	An associate of Daye Group	1,059	779
Utilities fees	(i)	Fellow subsidiaries	108,153	156,598
Purchases of non-ferrous metals	(i)	Daye Group	241,118	726,182
	(i)	Fellow subsidiaries	531,262	580,146
Purchase of other products	(i)	Fellow subsidiaries	20,563	13,665
Other service expense	(i)	Fellow subsidiaries	24,722	1,923
Rental expense for leasing of lands	(i)	Daye Group	–	5,745
	(i)	Fellow subsidiaries	–	586
Interest expense for financial liabilities at amortised cost	(iii)	Daye Group	7,595	22,296
	(iii)	Daye Finance Company	6,374	7,061
	(iii)	A fellow subsidiary	9,015	2,576
	(iv)	Immediate holding company	21,000	21,000
Interest expense on lease liabilities	(vi)	Daye Group	3,708	–
Capital expenditures:				
Construction contract fees	(i)	Fellow subsidiaries	60,614	40,199
Other service fees	(i)	Fellow subsidiaries	2,227	39,007

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

27. RELATED PARTY TRANSACTIONS – CONTINUED

Transactions and balances with PRC government-related entities – continued

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

Notes:

- (i) These transactions were conducted in accordance with terms of the relevant agreements, 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 loans to a joint venture. Further details of the balances at the end of the reporting period are set out in Notes 20 and 19, respectively.
- (iii) The interest expense arose from unsecured loans from and/or amounts due to Daye Group, Daye Finance Company and a fellow subsidiary. Further details of the balances at the end of the reporting period are set out in Notes 23 and 22, respectively.
- (iv) The interest expense arose from promissory note from the immediate holding company.
- (v) The interest income arose from short-term advances to Daye Group.
- (vi) The Group leases certain lands from Daye Group. As at 30 June 2019, the related right-of-use assets amounted to RMB835,316,000 (1 January 2019 (upon application of HKFRS 16): RMB849,725,000), and the related lease liabilities amounted to RMB143,357,000 (1 January 2019 (upon application of HKFRS 16): RMB151,350,000). During the current interim period, lease payments of RMB5,850,000 (six months ended 30 June 2018: RMB5,745,000) payable to Daye Group was settled through the current account balances of Daye Group.

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

28. EVENT AFTER THE END OF THE REPORTING PERIOD

On 28 August 2019, Daye Non-ferrous Metals Co., Ltd. (a non-wholly owned subsidiary of the Company) (“Daye Metal”), China No.15 Metallurgical Construction Group Co., Ltd. (a wholly-owned subsidiary of China Nonferrous Metal Mining (Group) Co., Ltd., the ultimate holding company of the Company), Huangshi Xingang Development Co., Ltd. and Huangshi State-owned Assets Management Co., Ltd. entered into a capital contribution agreement, pursuant to which the parties have agreed to establish Daye Non-ferrous (Xingang) Copper Co., Ltd. (the name is subject to the final approval by the relevant industry and commerce authorities of the PRC) and Daye Metal has agreed to contribute RMB1.3 billion to the capital of Daye Non-ferrous (Xingang) Copper Co., Ltd., representing 52% of the equity interests in Daye Non-ferrous (Xingang) Copper Co., Ltd.. Huangshi Xingang Development Co., Ltd. and Huangshi State-owned Assets Management Co., Ltd. are state-owned enterprises established in the PRC.

At the date of issuance of the condensed consolidated financial statements, the above transaction has not yet been completed and is subject to, among others, the approval by the independent shareholders of the Company.

Please refer to the announcement of the Company dated 30 August 2019 for further details of the transaction.