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: 661)

ANNOUNCEMENT OF UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of China Daye Non-Ferrous Metals Mining Limited (the "**Company**") is pleased to announce that the unaudited condensed consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 (together with the comparative figures for the corresponding period in the previous year) are as follows:

HIGHLIGHTS

	Six months ended 30 June	
	2017	2016
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Revenue	**18,530.0**	17,994.5
Gross profit	**349.1**	323.0
Loss attributable to owners of the Company	**(101.5)**	(117.7)
Basic loss per share	**RMB(0.57) fen**	RMB(0.66) fen

Revenue increased by 3.0% to RMB18,530.0 million, compared with RMB17,994.5 million in the same period of 2016.

Gross profit increased by 8.1% to RMB349.1 million, compared with RMB323.0 million in the same period of 2016.

Loss attributable to owners of the Company decreased by 13.8% to RMB101.5 million, compared with RMB117.7 million in the same period of 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

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

	Notes	At 30 June 2017 *RMB'000* (unaudited)	At 31 December 2016 *RMB'000* (audited)
CAPITAL AND RESERVES			
Share capital		**727,893**	727,893
Share premium and reserves		**1,631,554**	1,733,066
Equity attributable to owners of the Company		**2,359,447**	2,460,959
Non-controlling interests		**157,562**	158,140
TOTAL EQUITY		**2,517,009**	2,619,099
NON-CURRENT LIABILITIES			
Bank and other borrowings	*16*	**5,257,992**	6,293,293
Promissory note	*19*	**891,537**	–
Payables for purchase of property, plant and equipment		**259,802**	259,802
Provisions for mine rehabilitation, restoration and dismantling		**43,443**	42,801
Deferred income		**217,245**	225,661
Early retirement obligations	*20*	**131,285**	10,600
		6,801,304	6,832,157
		9,318,313	9,451,256

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the current interim period:

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

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the Group's consolidated financial statements for the year ending 31 December 2017.

4. REVENUE

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

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

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

5. SEGMENT INFORMATION

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

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

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

Geographical information

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

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

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

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

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

6. OTHER INCOME

	Six months ended 30 June	
	2017 *RMB'000* **(unaudited)**	2016 *RMB'000* (unaudited)
Interest income from banks	**7,376**	24,760
Interest income from Daye Nonferrous Metals Group Finance Co., Ltd. ("**Daye Finance Company**", a fellow subsidiary of the Company)	**3,829**	3,928
Government grants *(Note)*	**3,222**	1,100
Deferred income recognised	**9,028**	8,978
Rental income	**6,587**	6,549
Others	**–**	8,346
	30,042	53,661

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

7. OTHER GAINS AND LOSSES

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

8. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank and other borrowings	**134,201**	137,421
Interest on loans from Daye Nonferrous Metals Group Holding Co., Ltd. ("**Daye Group**", an intermediate holding company of the Company)	**28,820**	42,056
Interest on loans from Daye Finance Company	**7,861**	9,110
Interest on loans from a fellow subsidiary	**2,616**	–
Interest on convertible note/bonds	**17,210**	46,439
Interest on promissory note *(Note 19)*	**13,458**	–
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	**642**	623
Unwind interest of early retirement obligations *(Note 20)*	**2,186**	–
Total borrowing costs	**206,994**	235,649
Less: Borrowing costs capitalised in the cost of qualifying assets	**(13,291)**	(15,721)
	193,703	219,928

9. INCOME TAX (CREDIT)/EXPENSE

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

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Employee benefits expense (including directors' remuneration):		
Salaries, wages and welfare	**223,654**	246,997
Retirement benefit schemes contributions	**76,307**	61,798
Provision for early retirement obligations *(Note 20)******	**186,700**	–
Total staff costs*	**486,661**	308,795
Cost of sale and services rendered:		
Cost of inventories recognised as an expense	**18,157,698**	17,661,103
Direct operating expense arising from services provided	**23,249**	10,317
	18,180,947	17,671,420
Depreciation of property, plant and equipment**	**304,907**	266,935
Amortisation of intangible assets**	**24,647**	18,120
Amortisation of prepaid lease payments**	**10,619**	10,439

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

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

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

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 announcement.

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(101,512)**	(117,745)
	'000	*'000*
Number of ordinary shares		
Number of ordinary shares for the purpose of basic and diluted loss per share	**17,895,580**	17,895,580

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

13. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

14. BANK AND OTHER DEPOSITS, BANK BALANCES AND CASH

Restricted deposits and bank balances

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

Notes:

(a) The bank deposits as at 30 June 2017 were pledged to a bank as security for the Group's letters of guarantee for purchase of raw materials. Such deposits earn interest at a fixed rate of 4.15% per annum.

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

(c) Other deposits represent deposits in margin accounts held in Shanghai Future Exchange, other futures exchanges and certain financial institutions as security for the commodities derivative, gold forward contracts and currency forward contracts.

(d) The bank deposits as at 30 June 2017 were pledged to Daye Finance Company as security for the other loans of the Group, which are not repayable within one year (Note 16). These deposits bear interest at a fixed rate of 3.58% per annum.

Bank and other deposits, bank balances and cash

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

15. TRADE AND BILLS PAYABLES

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

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

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

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

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

16. BANK AND OTHER BORROWINGS

	At 30 June 2017 *RMB'000* **(unaudited)**	At 31 December 2016 *RMB'000* (audited)
Bank borrowings:		
Secured by short-term investments *(Note 17)*	**500,000**	–
Unsecured	**5,178,314**	4,950,639
Other borrowings:		
Loans from Daye Group, unsecured*	**1,322,152**	1,019,318
Loans from Daye Finance Company, unsecured*	**318,000**	418,000
Loans from a fellow subsidiary, unsecured*	**122,350**	114,488
Advance from Daye Finance Company for discounted bills	**4,000**	2,000
Advance from banks for discounted bills	**–**	39,000
Gold loans	**2,393,552**	1,738,617
Other loans secured by bank deposits *(Note 14(d))*	**499,000**	499,500
	10,337,368	8,781,562
Less: Amounts due within one year shown under current liabilities	**(5,079,376)**	(2,488,269)
Amounts shown under non-current liabilities	**5,257,992**	6,293,293
Fixed-rate borrowings	**5,769,335**	4,577,589
Variable-rate borrowings	**4,568,033**	4,203,973
Total borrowings	**10,337,368**	8,781,562

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

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

17. SHORT-TERM INVESTMENTS

As at 30 June 2017, the Group's short-term investments represented investments in wealth management product issued by a reputable bank in the PRC. These investments were principal-protected, with expected annual return at the rate of 4.40% with maturity of less than one year.

The short-term investments are pledged to a bank as security for bank borrowings of the Group of RMB500,000,000 (Note 16).

18. CONVERTIBLE NOTE

On 7 March 2012, the Group issued convertible note in the aggregate principal amount of HK$1,003,836,048 (the "**Note**") to China Times Development Limited ("**China Times**") in relation to a restructuring arrangement of the Group. China Times became the immediate holding company of the Company after the restructuring. The Note matured on 7 March 2017 (the "**Maturity Date**") and was redeemed in full by the issuance of a promissory note by the Company to China Times for the Renminbi equivalent of the outstanding principal amount of the Note of RMB891,537,000 (Note 19).

19. PROMISSORY NOTE

A promissory note with a principal amount of RMB891,537,000 was issued to China Times on 7 March 2017 (the "**Promissory Note**") to settle the redemption of the Note upon maturity (Note 18), which had taken effect on the Maturity Date (the "**Effective Date**"). China Times and the Company have acknowledged and agreed that the issue of the Promissory Note will constitute full satisfaction of the amount payable by the Company to China Times on the redemption of the Note on the Maturity Date.

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

(i) The payment of immediately available funds in Renminbi by wire transfer to the China Times's bank account designated by China Times in writing; and/or

(ii) The allotment and issue of shares of the Company to China Times subject to compliance with applicable laws, regulations and the Listing Rules.

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

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

20. EARLY RETIREMENT OBLIGATIONS

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

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

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

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

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

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

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

21. CONTINGENT LIABILITIES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2017, the Group carried out the work arrangements made at the beginning of the year, endeavoured to overcome the impact of the accident at Tonglvshan Mine and maintained good momentum for stable production and operation.

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

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

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

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

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

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

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

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

Outlook

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

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

Provided safety is ensured, the mine units will keep abreast of the market trend and strengthen lean production. Tonglvshan Mine will strive to keep the annual output target of 10,000 tonnes of mined copper, and to speed up the implementation of all tailings-filling projects to work out a complete solution to tailings. Fengshan Mine will maintain a good production situation, step up the recovery of remnant ores and low-grade ores, and speed up the construction progress for key projects in the northern and southern margins to ensure that the daily ore supply from the northern and southern margins is not less than 2,000 tonnes. The production arrangement programme for Tongshankou Mine will be optimized to achieve the average daily mining and stripping amount of not less than 2,700 m^3 to ensure that there is continuous production through open-cast mining.

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

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

Financial Review

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

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

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

Capital Structure, Liquidity and Financial Resources

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

As at 30 June 2017, the Group had bank and other borrowings of RMB5,079.4 million (31 December 2016: RMB2,488.3 million) and RMB5,258.0 million (31 December 2016: RMB6,293.3 million) which will be due within one year and after one year respectively. The majority of the Group's bank and other borrowings were denominated in RMB. The majority of the Group's bank and other borrowings bear interest at fixed rates. The Group did not use derivative financial instruments to hedge its interest rate risk during the period.

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

Employees and Remuneration Policy

As at 30 June 2017, the Group had a total of 6,677 employees (30 June 2016: 7,230). The Group's total staff costs for the six months ended 30 June 2017 was approximately RMB486.7 million (six months ended 30 June 2016: RMB308.8 million). The remuneration packages consist of basic salary, retirement benefits scheme contributions, medical insurance and other benefits considered as appropriate. Remuneration packages are generally structured with reference to market terms, individual qualification and performance of the employee. They are periodically reviewed based on individual merit and other market factors.

Foreign Exchange Exposure

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

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

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not make any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2017.

Contingent Liabilities

As at 30 June 2017, the Group provided guarantees to banks in favour of a joint venture of the Group in respect of the banking facilities provided by the banks to that joint venture, further details of which are disclosed in note 21 to the condensed consolidated financial statements.

Charges on Assets

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Company's listed securities.

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 results of the Company for the six months ended 30 June 2017.

The Company's independent auditor, Deloitte Touche Tohmatsu, has reviewed the condensed consolidated interim financial information of the Group for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "**Remuneration Committee**") with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive Directors and senior management of the Company.

The Remuneration Committee currently comprises three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun.

NOMINATION COMMITTEE

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

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

The Nomination Committee currently comprises 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 Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. All Directors have confirmed, following specific enquiries made by the Company, that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company had complied with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") throughout the six months ended 30 June 2017, save for the deviations as summarised below:

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

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

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

PUBLICATION OF THIS RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at **www.hkexnews.hk** and the Company at **www.hk661.com**. An interim report for the six months ended 30 June 2017 will be despatched to shareholders of the Company and be available on the same websites in due course.

APPRECIATION

I would like to take this opportunity to thank my fellow Directors, as well as the management and all our employees for the contribution they have made towards the Group's continued progress, and to our shareholders, suppliers, customers and business partners for their support.

By order of the Board
China Daye Non-Ferrous Metals Mining Limited
Long Zhong Sheng
Executive Director

Hong Kong, 31 August 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Long Zhong Sheng, Mr. Zhai Baojin and Mr. Tan Yaoyu; and three independent non-executive Directors, namely Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Liu Jishun.