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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)

ANNOUNCEMENT OF UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the “**Board**”) of directors (the “**Directors**”) of China Daye Non-Ferrous Metals Mining Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019 (together with the comparative figures for the corresponding period in the previous year) as follows:

HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
	RMB million (Unaudited)	RMB million (Unaudited)
Revenue	17,377.4	16,354.0
Gross profit	442.3	349.7
Profit/(loss) for the period	3.9	(59.3)
Profit/(loss) for the period attributable to owners of the Company	1.3	(68.3)
Basic earnings/(loss) per share	RMB0.01 fen	RMB(0.38) fen

Revenue for the six months ended 30 June 2019 increased by 6.26% to RMB17,377.4 million, compared with RMB16,354.0 million in the same period of 2018.

Gross profit for the six months ended 30 June 2019 increased by 26.5% to RMB442.3 million, compared with RMB349.7 million in the same period of 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
	Notes	(unaudited)	(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		(20,139)	207
Finance costs	8	(255,266)	(200,701)
Share of results of joint ventures		–	(15,750)
Profit/(loss) before tax		10,610	(49,572)
Income tax expense	9	(6,709)	(9,732)
Profit/(loss) and total comprehensive income/(expense) for the period	10	<u>3,901</u>	<u>(59,304)</u>
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
		<u>3,901</u>	<u>(59,304)</u>
Earnings/(loss) per share	12		
– Basic		<u>RMB0.01 fen</u>	<u>RMB(0.38) fen</u>
– Diluted		<u>RMB0.01 fen</u>	<u>RMB(0.38) fen</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

		At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		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		115,043	121,738
Other deposits	14	37,201	46,916
Restricted bank deposits	15	43,355	43,355
		<u>8,547,130</u>	<u>8,607,229</u>
CURRENT ASSETS			
Prepaid lease payments		–	21,611
Inventories		4,230,780	5,079,176
Trade and bills receivables	13	1,308,208	745,415
Other deposits	14	55,504	69,095
Prepayments and other receivables		472,314	1,444,472
Derivative financial instruments		252,173	119,966
Restricted and pledged bank deposits	15	299,685	23,304
Cash and bank balances	15	1,663,796	861,616
		<u>8,282,460</u>	<u>8,364,655</u>
CURRENT LIABILITIES			
Trade and bills payables	16	1,480,759	1,903,197
Other payables and accrued expenses		864,406	815,115
Contract liabilities		145,684	82,398
Lease liabilities		4,390	–
Bank and other borrowings	17	5,557,812	5,178,212
Derivative financial instruments		30,296	58,108
Early retirement obligations		37,604	44,850
Current income tax liabilities		–	1,531
		<u>8,120,951</u>	<u>8,083,411</u>
NET CURRENT ASSETS		<u>161,509</u>	<u>281,244</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>8,708,639</u></u>	<u><u>8,888,473</u></u>

		At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
	<i>Notes</i>		
CAPITAL AND RESERVES			
Share capital		727,893	727,893
Share premium and reserves		<u>1,510,849</u>	<u>1,509,568</u>
Equity attributable to owners of the Company		2,238,742	2,237,461
Non-controlling interests		<u>181,173</u>	<u>178,553</u>
TOTAL EQUITY		<u>2,419,915</u>	<u>2,416,014</u>
NON-CURRENT LIABILITIES			
Other payables		287,986	287,855
Bank and other borrowings	17	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		<u>129,046</u>	<u>143,540</u>
		<u>6,288,724</u>	<u>6,472,459</u>
		<u>8,708,639</u>	<u>8,888,473</u>

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 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.

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 for the application of HKFRS 16, the application of other 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.

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*, and the related interpretations.

The Group applied the accounting policies in accordance with the transition provisions of HKFRS 16 from 1 January 2019. Under HKFRS 16, 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.

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, and comparative information has not been restated.

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. At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of the lease payments that are unpaid at that date, and subsequently adjusted for the interest and lease payments, as well as the impact of lease modification, amongst others. When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the certain 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.

On transition, other than the reclassification of prepaid lease payments to right-of-use assets of RMB698,375,000, the Group recognised lease liabilities of RMB151,350,000 and right-of-use assets of RMB151,350,000 at 1 January 2019 upon application of HKFRS 16. The additional right-of-use assets were recognised at amounts equal to the related lease liabilities by applying HKFRS 16 C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the weighted average incremental borrowing rate of 4.9% at the date of initial application.

At 30 June 2019, the lease liabilities and right-of-use assets amounted to RMB143,357,000 and RMB835,316,000, respectively, while depreciation associated with the right-of-use assets and finance costs associated with lease liabilities amounting RMB14,409,000 and RMB3,708,000, respectively, were recognised during the current interim period.

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	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sales of goods	17,355,593	16,331,686
Rendering of services	21,776	22,351
	<u>17,377,369</u>	<u>16,354,037</u>
Timing of revenue recognition:		
A point in time	17,355,593	16,331,686
Over time	21,776	22,351
	<u>17,377,369</u>	<u>16,354,037</u>

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.

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(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
	<u>17,355,593</u>	<u>16,331,686</u>
Rendering of services:		
Copper processing	15,701	17,124
Others	6,075	5,227
	<u>21,776</u>	<u>22,351</u>
Total revenue	<u>17,377,369</u>	<u>16,354,037</u>

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 <i>RMB’000</i> (unaudited)	At 31 December 2018 <i>RMB’000</i> (audited)
Mainland China	8,388,346	8,416,388
Hong Kong	289	25,626
Mongolia	97	122
	<u>8,388,732</u>	<u>8,442,136</u>

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

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

6. OTHER INCOME

	Six months ended 30 June 2019 <i>RMB’000</i> (unaudited)	2018 <i>RMB’000</i> (unaudited)
Interest income from banks	2,186	5,434
Interest income from Daye Nonferrous Metals Group Holding Co., Ltd. (“ Daye Group ”, an intermediate holding company of the Company)	13,622	–
Interest income from Daye Nonferrous Metals Group Finance Co., Ltd.* (“ Daye Finance Company ”, a fellow subsidiary)	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
	<u>34,265</u>	<u>30,716</u>

* A non-banking financial institution.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(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 (<i>Note</i>)	–	(10,074)
	<u>(4,801)</u>	<u>(1,343)</u>

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. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(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	–
	<u>263,928</u>	<u>209,342</u>
Total borrowing costs	263,928	209,342
Less: Borrowing costs capitalised in the cost of qualifying assets	(8,662)	(8,641)
	<u>255,266</u>	<u>200,701</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	14	—
Deferred tax	6,695	9,732
	<u>6,709</u>	<u>9,732</u>

10. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(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*	<u>322,070</u>	<u>316,854</u>
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
	<u>16,935,029</u>	<u>16,004,367</u>
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 payments) totaling RMB18,086,000 (unaudited) (six months ended 30 June 2018: RMB16,606,000 (unaudited)) was capitalised to inventories.

11. DIVIDENDS

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

12. 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 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (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	<u>1,281</u>	<u>(68,287)</u>
	<i>'000</i>	<i>'000</i>
Number of ordinary shares		
Number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	<u>17,895,580</u>	<u>17,895,580</u>

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.

13. TRADE AND BILLS RECEIVABLES

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Trade receivables	307,278	367,306
Less: Allowance for credit losses	(10,882)	(10,882)
	<u>296,396</u>	<u>356,424</u>
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	–
	<u>1,011,812</u>	<u>388,991</u>
Total trade and bills receivables	<u><u>1,308,208</u></u>	<u><u>745,415</u></u>
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	<u><u>1,308,208</u></u>	<u><u>745,415</u></u>

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 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (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
	<u>296,396</u>	<u>356,424</u>

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

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

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.

14. 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 (<i>Note (a)</i>)	19,785	30,191
Deposits for land restoration (<i>Note (b)</i>)	5,311	5,302
	<u>37,201</u>	<u>46,916</u>
Classified under current assets:		
Margin deposits (<i>Note (c)</i>)	<u>55,504</u>	<u>69,095</u>

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 commodities derivative.

15. 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 (<i>Note (a)</i>)	<u>43,355</u>	<u>43,355</u>
Classified under current assets:		
Restricted bank balances (<i>Note (b)</i>)	<u>299,685</u>	<u>23,304</u>

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 17*). 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.

16. TRADE AND BILLS PAYABLES

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (audited)
Trade payables	1,480,759	1,840,697
Bills payables	—	62,500
	<u>1,480,759</u>	<u>1,903,197</u>

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

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (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
	<u>1,480,759</u>	<u>1,840,697</u>

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.

17. BANK AND OTHER BORROWINGS

	At 30 June 2019 <i>RMB'000</i> (unaudited)	At 31 December 2018 <i>RMB'000</i> (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 (<i>Note 15(a)</i>)	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.

18. 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.

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 concentrate, 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.

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.

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.

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.

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.

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 commodities derivative and other financing were secured by bank deposits and balances amounting to RMB343.0 million (31 December 2018: RMB66.7 million).

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.

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 has resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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 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.

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.

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 2019 will be despatched to the shareholders of the Company and will be available on the abovementioned 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
Wang Yan
Chairman

Hong Kong, 30 August 2019

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Wang Yan, Mr. Long Zhong Sheng, Mr. Yu Liming and Mr. Chen Zhimiao; and three independent non-executive Directors, namely Mr. Wang Qihong, Mr. Wang Guoqi and Mr. Liu Jishun.