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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 2020

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 2020 (together with the comparative figures for the corresponding period in the previous year) as follows:

HIGHLIGHTS

	Six months ended 30 June	
	2020	2019
	RMB million (Unaudited)	RMB million (Unaudited)
Revenue	12,055.6	17,377.4
Gross profit	278.3	442.3
(Loss)/profit for the period	(50.5)	3.9
(Loss)/profit for the period attributable to owners of the Company	(13.5)	1.3
Basic (loss)/earnings per share	RMB(0.08) fen	RMB0.01 fen

Revenue for the six months ended 30 June 2020 decreased by 31% to RMB12,055,577,000, compared with RMB17,377,369,000 in the same period of 2019.

Gross profit for the six months ended 30 June 2020 decreased by 37% to RMB278,347,000, compared with RMB442,340,000 in the same period of 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	4, 5	12,055,577	17,377,369
Cost of sales and services rendered		(11,777,230)	(16,935,029)
Gross profit		278,347	442,340
Other income	6	27,323	34,265
Selling expenses		(26,872)	(22,789)
Administrative expenses		(148,146)	(154,974)
Other operating expenses		(4,995)	(8,026)
Other gains and losses	7	43,556	(4,801)
Impairment losses under expected credit loss model, net		(37,853)	(20,139)
Finance costs	8	(179,542)	(255,266)
(Loss)/profit before tax		(48,182)	10,610
Income tax expense	9	(2,287)	(6,709)
(Loss)/profit and total comprehensive (expense)/income for the period	10	(50,469)	3,901
(Loss)/profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(13,514)	1,281
Non-controlling interests		(36,955)	2,620
		(50,469)	3,901
(Loss)/earnings per share	12		
– Basic		RMB(0.08)fen	RMB0.01fen
– Diluted		RMB(0.08)fen	RMB0.01fen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		6,566,837	6,789,956
Right-of-use assets		884,058	824,883
Exploration and evaluation assets		8,074	8,074
Intangible assets		630,871	659,513
Investment in joint ventures		–	–
Deferred tax assets		73,154	71,324
Other deposits	14	79,244	76,311
Restricted bank deposits	15	44,776	44,776
		<u>8,287,014</u>	<u>8,474,837</u>
CURRENT ASSETS			
Inventories		4,431,930	4,869,157
Trade and bills receivables	13	408,153	1,009,800
Other deposits	14	101,619	111,228
Prepayments and other receivables		412,725	172,029
Derivative financial instruments		404,266	220,429
Structured bank deposits		–	440,000
Restricted and pledged bank deposits	15	79,533	–
Cash and bank balances	15	2,637,419	1,501,884
		<u>8,475,645</u>	<u>8,324,527</u>
CURRENT LIABILITIES			
Trade and bills payables	16	1,507,007	1,808,990
Other payables and accrued expenses		740,668	758,085
Contract liabilities		242,079	43,781
Bank and other borrowings	17	5,627,246	5,567,350
Lease liabilities		4,605	4,495
Derivative financial instruments		38,125	24,053
Early retirement obligations		36,450	38,820
Current income tax liabilities		–	2,196
		<u>8,196,180</u>	<u>8,247,770</u>
NET CURRENT ASSETS		<u>279,465</u>	<u>76,757</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>8,566,479</u></u>	<u><u>8,551,594</u></u>

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
<i>Notes</i>		
CAPITAL AND RESERVES		
Share capital	727,893	727,893
Share premium and reserves	1,642,718	1,656,232
Equity attributable to owners of the Company	2,370,611	2,384,125
Non-controlling interests	488,482	485,437
TOTAL EQUITY	2,859,093	2,869,562
NON-CURRENT LIABILITIES		
Other payables	276,333	278,333
Bank and other borrowings	3,937,249	3,898,781
Lease liabilities	134,362	142,570
Promissory note	1,032,156	1,011,039
Provisions for mine rehabilitation, restoration and dismantling	53,110	51,332
Deferred income	161,150	176,087
Early retirement obligations	113,026	123,890
	5,707,386	5,682,032
	8,566,479	8,551,594

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 2020 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 Hong Kong Stock Exchange. 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 2019.

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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRS**”) and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2020:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the Amendments to References to the Conceptual Framework in HKFRS and the 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.

4. REVENUE FROM GOODS AND SERVICES

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods	12,044,499	17,355,593
Rendering of services	11,078	21,776
	12,055,577	17,377,369
Timing of revenue recognition:		
A point in time	12,044,499	17,355,593
Over time	11,078	21,776
	12,055,577	17,377,369

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	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sales of goods:		
Copper cathodes	9,463,595	12,224,896
Other copper products	167,942	521,904
Gold and other gold products	1,084,667	2,032,100
Silver and other silver products	1,182,102	2,275,475
Sulphuric acid and sulphuric concentrate	8,549	119,361
Iron ores	55,316	62,127
Others	82,328	119,730
	12,044,499	17,355,593
Rendering of services:		
Copper processing	6,948	15,701
Others	4,130	6,075
	11,078	21,776
Total revenue	12,055,577	17,377,369

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 2020 <i>RMB’000</i> (unaudited)	At 31 December 2019 <i>RMB’000</i> (audited)
PRC	8,168,837	8,358,420
Hong Kong	196	243
Mongolia	51	74
	<u>8,169,084</u>	<u>8,358,737</u>

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

	Six months ended 30 June 2020 <i>RMB’000</i> (unaudited)	2019 <i>RMB’000</i> (unaudited)
PRC	11,563,019	16,448,326
Hong Kong	51,069	413,157
Others	441,489	515,886
	<u>12,055,577</u>	<u>17,377,369</u>

6. OTHER INCOME

	Six months ended 30 June 2020 <i>RMB’000</i> (unaudited)	2019 <i>RMB’000</i> (unaudited)
Interest income from banks	8,606	2,186
Interest income from Daye Nonferrous Metals Group Holding Co., Ltd. (“Daye Group”)	–	13,622
Interest income from Nonferrous Mining Group Finance Co., Ltd* (“Finance Company”)	4,444	2,658
Interest income from a joint venture	1,152	2,784
Government grants	1,994	288
Deferred income released	10,787	10,619
Rental income	340	2,108
	<u>27,323</u>	<u>34,265</u>

* A non-banking financial institution.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Fair value changes from:		
Commodity derivatives contracts	–	(223)
Currency forward contracts	(224)	(1,301)
Currency option contracts	16,584	37,308
Gold forward contracts	269,699	97,426
Currency exchange swap contracts	(7,402)	4,461
Gold loans designated as financial liabilities at fair value through profit or loss (“FVTPL”)	(271,575)	(118,729)
Gain/(loss) on disposal of property, plant and equipment, net	2,541	(2)
Exchange losses, net	33,933	(23,741)
	<u>43,556</u>	<u>(4,801)</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on bank and other borrowings	129,714	211,594
Interest on loans from Daye Group	12,521	7,595
Interest on loans from Finance Company	6,621	6,374
Interest on loans from and amounts due to a fellow subsidiary	6,026	9,015
Interest on promissory note	21,116	21,000
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	741	652
Unwind interest of early retirement obligations	2,490	3,990
Interest on lease liabilities	3,603	3,708
	<u>182,832</u>	<u>263,928</u>
Total borrowing costs	182,832	263,928
Less: Borrowing costs capitalised in the cost of qualifying assets	(3,290)	(8,662)
	<u>179,542</u>	<u>255,266</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	4,117	14
Deferred tax	(1,830)	6,695
	<u>2,287</u>	<u>6,709</u>

10. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Employee benefits expense (including directors' remuneration):		
Salaries, wages and welfare	271,061	256,562
Retirement benefit schemes contributions	24,105	65,508
Total staff costs (<i>Note (i)</i>)	<u>295,166</u>	<u>322,070</u>
Cost of sale and services rendered:		
Cost of inventories recognised as an expense	11,761,829	16,906,941
Impairment loss of inventories	5,618	—
Direct operating expense arising from services provided	9,783	28,088
	<u>11,777,230</u>	<u>16,935,029</u>
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	313,063	314,639
Amortisation of intangible assets (<i>Note (ii)</i>)	28,642	26,824
Depreciation of right-of-use assets (<i>Note (ii)</i>)	<u>14,204</u>	<u>14,409</u>

Notes:

- (i) During the current interim period, staff costs of RMB246,028,000 (unaudited) (six months ended 30 June 2019: RMB299,272,000 (unaudited)) was capitalised to inventories.
- (ii) During the current interim period, depreciation of property, plant and equipment of RMB306,604,000 (unaudited) (six months ended 30 June 2019: RMB308,007,000 (unaudited)), and amortisation/depreciation of intangible assets and right-of-use assets totaling RMB21,619,000 (unaudited) (six months ended 30 June 2019: RMB18,086,000 (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. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/earnings for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	(13,514)	1,281
	'000	'000
Number of ordinary shares		
Number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	17,895,580	17,895,580

The computation of diluted (loss)/earnings 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 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Trade receivables	228,074	259,610
Less: Allowance for credit losses	(48,343)	(10,705)
	179,731	248,905
Bills receivables, at amortised cost:		
On hand	66,903	149,241
Endorsed to suppliers	2,769	56,420
Discounted to banks	158,750	555,234
	228,422	760,895
Total trade and bills receivables	408,153	1,009,800

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.

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 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Within 1 year	166,369	240,489
More than 1 year, but less than 2 years	9,727	7,177
More than 2 years, but less than 3 years	3,496	365
Over 3 years	139	874
	179,731	248,905

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

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Trade receivables:		
Fellow subsidiaries	117,797	99,737
Daye Group	–	1
Bills receivables:		
Daye Group	–	370,000

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 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Classified under non-current assets:		
Deposits for acquisition of property, plant and equipment	43,187	42,989
Deposits for environment rehabilitation (<i>Note (a)</i>)	28,308	28,008
Deposits for land restoration (<i>Note (b)</i>)	7,749	5,314
	<u>79,244</u>	<u>76,311</u>
Classified under current assets:		
Margin deposits (<i>Note (c)</i>)	<u>101,619</u>	<u>111,228</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 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.

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

Restricted and pledged bank deposits

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Classified under non-current assets:		
Bank deposits (<i>Note (a)</i>)	<u>44,776</u>	<u>44,776</u>
Classified under current assets:		
Restricted bank balances (<i>Note (b)</i>)	<u>79,533</u>	<u>—</u>

Notes:

- (a) The bank deposits are placed with 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 2019: 3.58%) per annum.
- (b) The bank balances are mainly held in designated bank accounts as security for the letters of credit.

Cash and bank balances

As at 30 June 2020, the balances included saving deposits of RMB1,255,250,000 (unaudited) (31 December 2019: RMB600,678,000) placed with Finance Company, which bear interest at rates ranging from 0.53% to 1.50% (31 December 2019: 0.53% to 1.50%) per annum.

16. TRADE AND BILLS PAYABLES

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Trade payables	1,507,007	1,780,050
Bills payables	—	28,940
	<u>1,507,007</u>	<u>1,808,990</u>

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

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Within 1 year	1,476,383	1,759,310
More than 1 year, but less than 2 years	15,718	8,212
More than 2 years, but less than 3 years	6,863	2,549
Over 3 years	8,043	9,979
	<u>1,507,007</u>	<u>1,780,050</u>

Included in the Group's trade and bills payables as at 30 June 2020 were payables to fellow subsidiaries of RMB23,383,000 (unaudited) (31 December 2019: RMB16,945,000). The payables to fellow subsidiaries are unsecured, interest-free and repayable according to respective purchase contracts.

17. BANK AND OTHER BORROWINGS

	At 30 June 2020 <i>RMB'000</i> (unaudited)	At 31 December 2019 <i>RMB'000</i> (audited)
Bank borrowings:		
Secured	158,750	555,234
Unsecured	6,464,269	6,081,757
Other borrowings:		
Loans from Daye Group, unsecured*	273,570	192,421
Loans from Finance Company, unsecured*	268,150	268,350
Loans from a fellow subsidiary, unsecured*	21,112	6,233
Gold loans	1,872,689	1,855,393
Other loans secured by bank deposits (<i>Note 15(a)</i>)	505,955	506,743
	9,564,495	9,466,131
Bank borrowings carrying amounts repayable:		
Within 1 year	3,564,800	4,046,233
More than 1 year, but not exceeding 2 years	2,661,219	2,387,967
More than 2 years, but not exceeding 5 years	397,000	201,033
More than 5 years	–	1,758
	6,623,019	6,636,991
Other borrowings carrying amounts repayable:		
Within 1 year	2,062,446	1,521,117
More than 1 year, but not exceeding 2 years	384,030	618,069
More than 2 years, but not exceeding 5 years	495,000	649,809
More than 5 years	–	40,145
	2,941,476	2,829,140
Less: Amounts due within 1 year shown under current liabilities	(5,627,246)	(5,567,350)
Amounts shown under non-current liabilities	3,937,249	3,898,781

- * The loans from Daye Group bear interests ranging from 1.20% to 6.15% (31 December 2019: 1.20% to 6.15%) per annum and are repayable in various maturity dates up to 24 December 2025. The loans from Finance Company bear interests ranging from 3.915% to 5.225% (31 December 2019: 3.915% to 5.225%) per annum and are repayable in various maturity dates up to 17 September 2021. The loans from a fellow subsidiary include (i) a loan bore a three-year interest rate quoted by People's Bank of China per annum and is repayable on 11 January 2022 and (ii) an interest-free loan and is repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2020, 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 2020, the Group produced a total of approximately 9,645 tonnes of mined copper, representing a year-on-year decrease of 26.84%; approximately 240,930 tonnes of copper cathode, representing a year-on-year decrease of 10.54%; approximately 286.58 tonnes of precious metal (including approximately 2.76 tonnes of gold, approximately 268.81 tonnes of silver, approximately 7 kg of platinum, approximately 90 kg of palladium and approximately 14.91 tonnes of tellurium), representing a year-on-year decrease of 56.15%; approximately 539,276 tonnes of chemical products (including approximately 537,846 tonnes of sulfuric acid, approximately 1,199 tonnes of copper sulfate, approximately 157 tonnes of nickel sulfate (metal content) and approximately 74 tonnes of crude selenium (metal content)), representing a year-on-year decrease 9.47 %; approximately 71,700 tonnes of iron concentrate, representing a year-on-year decrease of 16.14%; and approximately 31 tonnes of molybdenum concentrate, representing a year-on-year decrease of 21.58%.

Rebound of Copper Price

Since the second quarter of the year, driven by contraction of overseas raw material supply and strong domestic consumption due to economic recovery, copper price has steadily rebounded from the low point of US\$4,371/tonne on 19 March 2020 to the high point of US\$6,633/tonne on 13 July 2020, recording a strong V-shaped rebound. Meanwhile, price of sulphuric acid rose along with volatility, with selling price rising compared with beginning of the year. As a professional organisation predicts, with the gradual investment of “new infrastructure” in PRC, copper price will continue to rise due to strong consumption, and the copper industry will usher in a new round of rapid growth.

Narrowing Decline in Operation Indicators

In recent years, we have carried out alignment with market expectations and in-depth reforms, resulting in significant improvement in scale of production and sales, labour productivity, technical and economic indicators as well as operating quality as compared with those before the alignment. Two sets of idle small-plate electrolyzers in the smelting plant have been transformed into large-plate electrolyzers, achieving monthly increase in output of approximately 600 tonnes of cathode copper. During late February to early March this year, we carried out alternate overhaul for the two sulfuric acid systems, thus creating favourable conditions for later full-load production and increased Ausmelt furnace life from 18 months to 26 months. Till now, the daily output of mined copper has reached 894 tonnes, laying foundation for achieving the annual objectives and targets. Meanwhile, the assessment and appointment for our reform of duties and ranks have also completed with emerging internal vitality.

Gradual Realisation of Project Implementation

The 400,000-tonnes project has now fully entered the construction stage, and all tasks are advancing in full swing; the Tongshankou non-metal resource development project has been launched, and currently work such as the geological survey and construction, tendering for the main equipment together with the “preparatory works (三通一平)” and demolition of the gravel processing plant have been completed. The Tongshankou Mine’s open-pit southern boundary optimisation project has completed 320,000 tonnes of topsoil stripping.

Double-lined Battles against Epidemic and Flood

Despite the unexpected epidemic which has brought a great impact to the Company’s production and operation, all work of the Company processed orderly and its production and operation have gradually stabilised, while the metallurgical industry chain remained in order amid the fight against the epidemic. During the most critical period of the epidemic from February to March, we have carefully organised production of the smelting plant, ensuring that front-line production personnel were on their posts and thus achieving a daily output of 734 tonnes of mined copper with a capacity utilisation rate of 84.3%, and a daily output of 1,167 tonnes of cathode copper with a capacity utilisation rate of 83.8%. Solving of sluggish sales and bottleneck of inventory of sulfuric acid achieved sales of sulfuric acid of 162,000 tonnes. Relevant departments actively communicated and coordinated with government departments, ports and shipping companies, thus ensuring the smooth logistics and transportation of more than 500,000 tonnes of raw materials, pharmaceuticals and products. In the face of flood prevention and flood control, the Company immediately set up a rescue team to timely deal with two major pipings in the Yangtze River levee, thus effectively ensuring the safety of the tailing ponds along the river during the flood.

OUTLOOK

The Company will unswervingly keep a close eye on the production target. Under the premises of ensuring safety, we will increase daily as well as monthly production to recover the losses resulted from the epidemic, and will strive to stabilise and increase the output of the smelting plant. We shall further strengthen the effort to tackle key problems in the life span of the Ausmelt furnace, and will increase the utilisation rate of the smelting system under operation to ensure achieving an annual output of 300,000 tonnes while striving for reaching 305,000 tonnes of mined blister copper. We shall manage to balance the anode plates to improve the efficiency of electric current, and shall ensure to reach an annual output of 510,000 tonnes of copper cathode through the transformation and utilisation of idle production capacity of small plates.

We will earnestly implement the measures formulated at the beginning of the year, especially the tasks that lagged behind the progress in the first half of the year, to ensure that various measures will be proceeded on time; we will further strengthen cost control, while all departments of the Company shall keep a close eye on the target of annual cost control, strengthen supervision and control of key cost and expense indicators and cost deviation analysis, and will promote deep integration of professional linear management and cost control to ensure achieving the cost control target that the annual cash unit cost of major products decreases by 3% year-on-year while non-tax and other administrative expenses decrease by 5% year-on-year.

We will attach great importance to risk management, and will realise effective prevention of internal and external risks of the Company through continuously improved risk management and control systems as well as risk management techniques and methods. We shall prevent and control the risk of capital chain disruption to ensure that there will be no debt default event. We will earnestly carry out post-investment project pilot evaluation, enhance audit supervision, strengthen review of investment budget and project completion progress, and improve the accuracy of project final accounts and the standardisation of asset transfer.

In the first half of the year, the Company remained stable in its safety and environmental protection. However, as various risks during this year are far greater than those in previous years, we must maintain the bottom line of safety and environmental protection to guarantee the stable reform and development of the Company. We shall carry out intensive three-years safety rectification actions to thoroughly solve the key and difficult problems of production safety; we shall fully assess systemic risks of tailings ponds to strictly prevent tailings pond accidents, and shall strengthen enhancement of safety skills for high-risk industries, so as to effectively eliminate the “three violations” behaviors; we shall establish a link mechanism for ecological and environmental protection management, complete the establishment of green mine standards and the safety and environmental protection grade evaluation of tailings ponds; we shall revise and improve relevant systems according to new state policies and new requirements to pay close attention to and correct the shortcomings of the system.

FINANCIAL REVIEW

The Group’s revenue decreased by 30.62% to RMB12,055,577,000 during the period over the same period last year of RMB17,377,369,000. The decrease in revenue was mainly attributable to the epidemic effect causing poor production and sales of the main products of the Company.

Gross profit for the six months ended 30 June 2020 amounted to RMB278,347,000 (six months ended 30 June 2019: RMB442,340,000), representing a decrease of 37.07% from the previous period. The decrease was mainly due to cessation of production of mines of the subsidiary of the Company and price of sulfuric acid product prices dropped sharply during the epidemic period from February to March.

Finance costs for the six months ended 30 June 2020 amounted to RMB179,542,000 (six months ended 30 June 2019: RMB255,266,000), representing a decrease of 29.66% from the previous period. The decrease was mainly due to the reduced interest-bearing debt scale and a portion of preferential loans sought by the Company during the epidemic period.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL

On 8 January 2020, Yangxin Hongsheng Copper Industry Company Limited* (陽新弘盛銅業有限公司), a non-wholly owned subsidiary of the Company (the “Joint venture company”), and State Land and Resources Branch Bureau of Xingang (Logistics) Industrial Park, Yangxin County State Land Bureau* (陽新縣國土資源局新港(物流)工業園區國土分局) (“Xingang Land and Resources Bureau”) entered into the Transfer Contract, pursuant to which Xingang Land and Resources Bureau has agreed to sell, and the Joint venture company has agreed to purchase, the land use rights of a piece of land parcel located to the north of Haizhou Avenue and the west of Hejin Provincial Road at Yangxin County, Huangshi, Hubei Province, the PRC, with a total site area of approximately 281,356 square metres for a consideration of RMB62,440,000. Please refer to the announcement of the Company dated 8 January 2020 for details.

On 24 June 2020, the Joint venture company and Xingang Land and Resources Bureau entered into the Second Transfer Contract, pursuant to which Xingang Land and Resources Bureau has agreed to sell, and the Joint venture company has agreed to purchase, the land use rights of a piece of land parcel located to Tanjiafan Village, Weiyuankou Town at Yangxin County, Huangshi, Hubei Province, the PRC, adjacent to the land parcel described in the announcement dated 8 January 2020, with a total site area of approximately 258,456 square metres for a consideration of RMB57,820,000. Please refer to the announcement of the Company dated 24 June 2020 for details.

PERFORMANCE AND PROSPECTS OF KEY INVESTMENT

Currently the key investment project of the Company is the joint venture's 400,000-ton high-purity copper cathode clean production project, which has adopted the world's advanced "flash smelting + flash conversion" process to produce anode copper, and the permanent stainless steel cathode plate electrolysis process to produce cathode copper. Completion of the project will enable the production capacity of the Company's cathode copper to reach 1 million tonnes, with output value of the copper industry exceeding 100 billion, forming a scale competitive advantage; it will also be a new benchmark for green manufacturing in the industry, and will realise a win-win for the economy and the environment, supporting the Company's continuous rapid and quality development. With a total investment of RMB5.7 billion, of which RMB2.4 billion is expected to be invested in 2020 and RMB2.3 billion in 2021, the project is planned to be completed by the end of 2021 and achieved expected production in 2022.

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 2020, the Group's receipts and payments were mainly denominated in RMB.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had restricted and pledged bank deposits, and cash and bank balances of RMB2,761,728,000 (31 December 2019: RMB1,546,660,000), of which the majority were denominated in Renminbi, with a current ratio of 1.03 (31 December 2019: 1.01), based on the current assets of RMB8,475,645,000 (31 December 2019: RMB8,324,527,000) and current liabilities of RMB8,196,180,000 (31 December 2019: RMB8,247,770,000). The Group's gearing ratio was 336.36% (31 December 2019: 380.75%) based on the net debts (which includes bank and other borrowings, promissory note and lease liabilities less restricted and pledged bank deposits, and cash and bank balances) of RMB7,973,890,000 (31 December 2019: RMB9,077,575,000) divided by equity attributable to owners of the Company of RMB2,370,611,000 (31 December 2019: RMB2,384,125,000). The decrease in gearing ratio was mainly due to the decrease in net debts.

As at 30 June 2020, the Group had bank and other borrowings of RMB5,627,246,000 (31 December 2019: RMB5,567,350,000) and RMB3,937,249,000 (31 December 2019: RMB3,898,781,000) 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 2020, the Group had a total of 5,627 employees (30 June 2019: 5,652). The Group's total staff costs for the six months ended 30 June 2020 was approximately RMB295,166,000 (six months ended 30 June 2019: RMB322,070,000). 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 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2020, other deposits which amounted to RMB101,619,000 (31 December 2019: RMB111,228,000) 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 RMB44,776,000 (31 December 2019: RMB44,776,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, 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 2020 (six months ended 30 June 2019: 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 report of the Company for the six months ended 30 June 2020.

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. 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 2020.

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 2020, save for the deviation as summarised below:

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

EVENTS AFTER THE REPORTING PERIOD

SHINEWING (HK) CPA Limited has been appointed as the auditor of the Company with effect from 28 August 2020 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu with effect from 18 August 2020 and to hold office until the conclusion of the next annual general meeting of the Company.

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 2020 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, 31 August 2020

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.