

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

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 2021 (together with the comparative figures for the corresponding period in the previous year) as follows:

HIGHLIGHTS

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Revenue	16,824.4	12,055.6
Gross profit	604.2	278.3
Profit/(loss) for the period	134.3	(50.5)
Profit/(loss) for the period attributable to owners of the Company	127.0	(13.5)
Basic earnings/(loss) per share	RMB0.71 fen	RMB(0.08) fen

Revenue for the six months ended 30 June 2021 increased by 40% to RMB16,824,358,000, compared with RMB12,055,577,000 in the same period of 2020.

Gross profit for the six months ended 30 June 2021 increased by 117% to RMB604,220,000, compared with RMB278,347,000 in the same period of 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	4, 5	16,824,358	12,055,577
Cost of sales and services rendered		(16,220,138)	(11,777,230)
Gross profit		604,220	278,347
Other income	6	27,461	27,323
Selling expenses		(23,656)	(26,872)
Administrative expenses		(186,937)	(148,146)
Other operating expenses		(9,423)	(4,995)
Other gains and losses	7	(3,947)	43,556
Impairment losses under expected credit loss model, net		(49,469)	(37,853)
Finance costs	8	(156,933)	(179,542)
Profit/(loss) before tax		201,316	(48,182)
Income tax expense	9	(67,008)	(2,287)
Profit/(loss) and total comprehensive income/(expense) for the period	10	134,308	(50,469)
Profit/(loss) and total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		126,963	(13,514)
Non-controlling interests		7,345	(36,955)
		134,308	(50,469)
Earnings/(loss) per share	12		
– Basic		RMB0.71fen	RMB(0.08)fen
– Diluted		RMB0.71fen	RMB(0.08)fen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		6,403,505	6,454,696
Right-of-use assets		959,969	927,420
Exploration and evaluation assets		13,238	11,946
Intangible assets		732,348	598,795
Investments in joint ventures		–	–
Deferred tax assets		69,910	52,013
Other deposits	14	638,501	394,279
		<u>8,817,471</u>	<u>8,439,149</u>
CURRENT ASSETS			
Inventories		5,314,328	4,549,585
Trade and bills receivables	13	111,976	201,176
Other deposits	14	208,178	167,937
Prepayments and other receivables		361,494	402,453
Derivative financial instruments		85,013	175,164
Structured bank deposits		530,000	500,000
Restricted and pledged bank deposits	15	38,303	46,049
Cash and bank balances	15	1,405,366	374,735
		<u>8,054,658</u>	<u>6,417,099</u>
CURRENT LIABILITIES			
Trade payables	16	2,120,590	1,601,151
Other payables and accrued expenses		856,083	823,710
Contract liabilities		398,584	44,806
Bank and other borrowings	17	3,346,537	3,713,591
Promissory note		1,074,504	–
Lease liabilities		4,831	4,715
Derivative financial instruments		114,744	112,342
Early retirement obligations		14,388	28,320
Current income tax liabilities		64,818	4,380
		<u>7,995,079</u>	<u>6,333,015</u>
NET CURRENT ASSETS		<u>59,579</u>	<u>84,084</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>8,877,050</u></u>	<u><u>8,523,233</u></u>

		30 June 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
CAPITAL AND RESERVES			
Share capital		727,893	727,893
Share premium and reserves		2,089,610	1,962,647
Equity attributable to owners of the Company		2,817,503	2,690,540
Non-controlling interests		1,047,603	780,258
TOTAL EQUITY		3,865,106	3,470,798
NON-CURRENT LIABILITIES			
Other payables		409,964	276,333
Bank and other borrowings	<i>17</i>	4,168,783	3,282,081
Lease liabilities		136,463	137,855
Promissory note		–	1,053,503
Provisions for mine rehabilitation, restoration and dismantling		57,453	52,816
Deferred income		155,661	166,227
Early retirement obligations		83,620	83,620
		5,011,944	5,052,435
		8,877,050	8,523,233

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions 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 2020.

As at 30 June 2021, the Group had cash, deposits and bank balances, current portion of bank and other borrowings and promissory note of approximately RMB1,405,366,000, RMB3,346,537,000 and RMB1,074,504,000 respectively. Based on the estimation of the future cash flows of the Group, after taking into account of (i) the unutilised bank facilities of not less than RMB6,785,930,000 and bank borrowings of RMB436,865,000 subsequently raised which fall due after 30 June 2022 and (ii) the ability to renew the current bank loans upon expiry because of the Group’s good track records and relationship with the banks, the directors are of the opinion that the Group will have sufficient working capital to finance its normal operation for the twelve months from the end of the reporting period of these condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which 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 consolidated financial statements for the year ended 31 December 2020 except as described below.

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 which are effective for the Group’s financial year beginning 1 January 2021:

Amendment to HKFRS 16

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

COVID-19 – Related Rent Concessions

Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim 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

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sales of goods	16,801,383	12,044,499
Rendering of services	22,975	11,078
	<u>16,824,358</u>	<u>12,055,577</u>
Timing of revenue recognition:		
A point in time	16,801,383	12,044,499
Over time	22,975	11,078
	<u>16,824,358</u>	<u>12,055,577</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 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 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sales of goods:		
Copper cathodes	13,587,815	9,463,595
Other copper products	162,012	167,942
Gold and other gold products	934,223	1,084,667
Silver and other silver products	1,668,625	1,182,102
Sulphuric acid and sulphuric concentrate	198,201	8,549
Iron ores	130,863	55,316
Others	119,644	82,328
	<u>16,801,383</u>	<u>12,044,499</u>
Rendering of services:		
Copper processing	9,406	6,948
Others	13,569	4,130
	<u>22,975</u>	<u>11,078</u>
Total revenue	<u>16,824,358</u>	<u>12,055,577</u>

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 2021 <i>RMB’000</i> (unaudited)	At 31 December 2020 <i>RMB’000</i> (audited)
PRC	8,747,428	8,386,948
Hong Kong	108	151
Mongolia	25	37
	<u>8,747,561</u>	<u>8,387,136</u>

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

	Six months ended 30 June 2021 <i>RMB’000</i> (unaudited)	2020 <i>RMB’000</i> (unaudited)
PRC	16,639,700	11,563,019
Hong Kong	–	51,069
Others	184,658	441,489
	<u>16,824,358</u>	<u>12,055,577</u>

6. OTHER INCOME

	Six months ended 30 June 2021 <i>RMB’000</i> (unaudited)	2020 <i>RMB’000</i> (unaudited)
Interest income from banks and others	9,178	8,606
Interest income from Nonferrous Mining Group Finance Co., Ltd* (“Finance Company”)	4,220	4,444
Interest income from a joint venture	–	1,152
Government grants	1,901	1,994
Deferred income released	11,592	10,787
Rental income	570	340
	<u>27,461</u>	<u>27,323</u>

* A non-banking financial institution.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Fair value changes from:		
Commodity derivatives contracts	15	–
Currency forward contracts	2,382	(224)
Currency option contracts	(3,947)	16,584
Gold forward contracts	(121,924)	269,699
Currency exchange swap contracts	–	(7,402)
Gold loans designated as financial liabilities at fair value through profit or loss (“FVTPL”)	125,551	(271,575)
Gain on disposal of property, plant and equipment, net	2,268	2,541
Impairment loss on property, plant and equipment	(34,189)	–
Exchange gains, net	25,897	33,933
	<u>(3,947)</u>	<u>43,556</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on bank and other borrowings	114,166	129,714
Interest on loans from Daye Nonferrous Metals Group Holding Co., Ltd. (“Daye Group”)	9,677	12,521
Interest on loans from Finance Company	7,346	6,621
Interest on loans from and amounts due to a fellow subsidiary	205	6,026
Interest on promissory note	21,153	21,116
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	764	741
Unwind interest of early retirement obligations	1,345	2,490
Interest on lease liabilities	4,243	3,603
	<u>158,899</u>	<u>182,832</u>
Total borrowing costs	158,899	182,832
Less: Borrowing costs capitalised in the cost of qualifying assets	(1,966)	(3,290)
	<u>156,933</u>	<u>179,542</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	84,905	4,117
Deferred tax	(17,897)	(1,830)
	67,008	2,287

10. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Employee benefits expense (including directors' remuneration):		
Salaries, wages and welfare	293,831	271,061
Retirement benefit schemes contributions	74,682	24,105
Total staff costs (<i>Note (i)</i>)	368,513	295,166
Cost of sale and services rendered:		
Cost of inventories recognised as an expense	16,208,300	11,761,829
Impairment loss of inventories	–	5,618
Direct operating expense arising from services provided	11,838	9,783
	16,220,138	11,777,230
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	307,569	313,063
Amortisation of intangible assets (<i>Note (ii)</i>)	34,207	28,642
Depreciation of right-of-use assets (<i>Note (ii)</i>)	16,258	14,204

Notes:

- (i) During the current interim period, staff costs of RMB266,879,000 (unaudited) (six months ended 30 June 2020: RMB246,028,000 (unaudited)) was capitalised to inventories.
- (ii) During the current interim period, depreciation of property, plant and equipment of RMB295,029,000 (unaudited) (six months ended 30 June 2020: RMB306,604,000 (unaudited)), and amortisation/depreciation of intangible assets and right-of-use assets totaling RMB23,599,000 (unaudited) (six months ended 30 June 2020: RMB21,619,000 (unaudited)) was capitalised to inventories.

11. DIVIDEND

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	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(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	126,963	(13,514)
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	17,895,580	17,895,580

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

13. TRADE AND BILLS RECEIVABLES

	At 30 June 2021 RMB'000 (unaudited)	At 31 December 2020 RMB'000 (audited)
Trade receivables	155,782	219,910
Less: Allowance for credit losses	(75,139)	(50,570)
	80,643	169,340
Bills receivables, at amortised cost:		
On hand	31,333	31,016
Endorsed to suppliers	–	820
	31,333	31,836
Total trade and bills receivables	111,976	201,176

The Group does not hold any collateral over these receivables.

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 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Within 1 year	70,889	156,355
More than 1 year, but less than 2 years	5,200	8,281
More than 2 years, but less than 3 years	1,245	4,703
Over 3 years	3,309	1
	<u>80,643</u>	<u>169,340</u>

14. OTHER DEPOSITS

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Classified under non-current assets:		
Deposits for acquisition of property, plant and equipment and right-of-use assets	615,838	372,499
Deposits for environment rehabilitation (<i>Note (a)</i>)	17,259	13,974
Deposits for land restoration (<i>Note (b)</i>)	5,404	7,806
	<u>638,501</u>	<u>394,279</u>
Classified under current assets:		
Margin deposits (<i>Note (c)</i>)	<u>208,178</u>	<u>167,937</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 and certain financial institutions as security for the commodity derivative instruments.

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

Restricted and pledged bank deposits

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Deposits placed with bank (<i>note a</i>)	<u>38,303</u>	<u>–</u>
Deposits placed with Finance Company (<i>note b</i>)	<u>–</u>	<u>46,049</u>

Notes:

- (a) The bank balances are mainly held in designated bank accounts as security for the letters of credit.
- (b) The deposits were placed with Finance Company and pledged as security for the Group's other loans from a third party financing company, which are not repayable within one year. These deposits carried interest at a fixed rate of 3.58% per annum and have been transferred to saving account in January 2021.

Cash and bank balances

As at 30 June 2021, the balances included saving deposits of RMB1,146,881,000 (unaudited) (31 December 2020: RMB260,882,000) placed with Finance Company, which bear interest at rates ranging from 0.53% to 1.45% (31 December 2020: 0.53% to 1.50%) per annum.

16. TRADE PAYABLES

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

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Within 1 year	2,061,722	1,572,821
More than 1 year, but less than 2 years	40,587	17,906
More than 2 years, but less than 3 years	9,836	743
Over 3 years	<u>8,445</u>	<u>9,681</u>
	<u>2,120,590</u>	<u>1,601,151</u>

17. BANK AND OTHER BORROWINGS

	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Bank borrowings:		
Unsecured	5,721,110	4,477,042
Other borrowings:		
Loans from Daye Group, unsecured	235,123	402,800
Loans from Finance Company, unsecured	240,150	240,296
Loans from a fellow subsidiary, unsecured	6,437	36,828
Gold loans	809,442	1,332,984
Other loans, unsecured	503,058	—
Other loans secured by bank deposits	—	505,722
	<u>7,515,320</u>	<u>6,995,672</u>
	At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Bank borrowings carrying amounts repayable:		
Within 1 year	2,223,251	2,354,263
More than 1 year, but not exceeding 2 years	1,356,104	206,927
More than 2 years, but not exceeding 5 years	1,741,755	1,915,852
More than 5 years	400,000	—
	<u>5,721,110</u>	<u>4,477,042</u>
Other borrowings carrying amounts repayable:		
Within 1 year	1,123,286	1,359,328
More than 1 year, but not exceeding 2 years	485,681	850,552
More than 2 years, but not exceeding 5 years	185,243	308,750
	<u>1,794,210</u>	<u>2,518,630</u>
Total bank and other borrowings	7,515,320	6,995,672
Less: Amounts due within 1 year shown under current liabilities	<u>(3,346,537)</u>	<u>(3,713,591)</u>
Amounts shown under non-current liabilities	<u>4,168,783</u>	<u>3,282,081</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2021, 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 2021, the Group produced a total of approximately 13,500 tonnes of mined copper, representing a year-on-year increase of 39.55%; approximately 235,000 tonnes of copper cathode, representing a year-on-year decrease of 2.46%; approximately 278.67 tonnes of precious metal (including approximately 2.49 tonnes of gold, approximately 258.10 tonnes of silver, approximately 8.00 kg of platinum, approximately 87.00 kg of palladium and approximately 17.98 tonnes of tellurium), representing a year-on-year decrease of 2.76%; approximately 527,300 tonnes of chemical products (including approximately 526,300 tonnes of sulfuric acid, approximately 655.31 tonnes of copper sulfate, approximately 298.71 tonnes of nickel sulfate (metal content) and approximately 72.54 tonnes of crude selenium (metal content)), representing a year-on-year decrease of 2.22%; approximately 105,400 tonnes of iron concentrate, representing a year-on-year increase of 46.94%; and approximately 20.54 tonnes of molybdenum concentrate, representing a year-on-year decrease of 34.61%.

Despite the adverse situation of the raging global pandemic, all employees of the Company took the goal of building a modern copper mining enterprise and carried out the action of “re-deepening reforms and aligning standards with target for setting off again” in a down-to-earth manner, promoting the Company’s operating performance and development quality to a new level.

Adhering to the Priority to Efficiency and Improving Overall Performance and Quality

Since the beginning of the year, the Company has set specific production targets and tasks, proactively overcome setbacks such as rising bulk raw material prices, declining smelting and processing fees as well as addressing historical issues, and committed to implementing various tasks in production and operation. In the first half of the year, the overall operation has achieved a steady growth.

Steadily Improving Profitability of Main Products

The Company seized the opportunity of the high price of sulfuric acid and reduced downtime of overhauls by working around-the-clock. In the first half of the year, the Company achieved an output of 515,000 tonnes (standard content) of sulfuric acid, our main product, representing an excess of 51,600 tonnes over the planned capacity and a year-on-year increase of 269 tonnes/day. The Company scaled up the processing of low-grade copper and high-grade iron and increased the production volume of iron concentrate. In the first half of the year, the production volume of iron concentrates reached 105,400 tonnes, representing a year-on-year increase of 46.9%.

Constructing Key Projects with High Quality as the Future Trends of the Industry

The Company vigorously promoted the construction of an intelligent factory for a 400,000-tonnes project. Through management innovation, organizational reform, process restructuring, information sharing, and intelligent decision-making, the Company has established an integrated business and financial management system of “flat management, borderless collaboration, large-scale centralized control, and big data-driven decision-making”. It is expected that the overall labor productivity will increase to 422.33 tonnes/person per annum, representing an increase of over 30% than the industry average upon reaching the project’s production capacity. In terms of the Company’s efficiency of cost reduction, it is expected to realize an improvement of over 10%, placing it at the forefront of the industry development. The Company’s pursuit of high-quality development promoted the upgrade of its industry ratings. With a special team dedicated to capacity reconstruction of rare and precious metals focusing on the three aspects of enhancing environmental protection management grading, increasing productivity and upgrading its industrial chain products, the Company spared no efforts in carrying out capacity reconstruction of rare and precious metals in its plans to become a ten billion dollar industry. Regarding the development of a high-quality planning industry chain, the Company designated a special cobalt salt program to plan the project development of cobalt salt sector with the strategic goal of building itself as a high-tech “little giant”. The program successfully completed the feasibility study of the cobalt salt project with an annual output of 10,000 tonnes of cobalt on the foundation of the Company’s competitive edges in its current production capacity of crude cobalt hydroxide.

Outlook

Regarding the production targets of the Company, we shall excel at the maintenance and supply of anode plates for copper cathodes while the smelting plants shall focus on increasing production volume and maintaining quality by organizing production so as to make up for the shortfall in the previous period. Regarding mined copper, the Company shall prepare for the resumption of work and production while simultaneously stepping up efforts in controlling the flood in Tonglvshan mine. For the sourcing structure of raw materials, we shall ponder deeply upon the imbalance between domestic and imported ore. On the one hand, we shall open up channels for new sources of domestic raw materials to expand sourcing of domestic ore. On the other hand, we shall pay close attention to factors such as strikes in overseas mines, the second wave of COVID-19 outbreak and the Sino-US trade friction, in order to ensure a smooth supply of imported ore.

Reduce Cost and Increase Efficiency to Realize Cost Control

Through “penetrated” management and “refined” management, we will continue to improve quality, reduce losses and save expenses. The Company has set up a working group on quota management and cost control for the smelting plants, taking the smelting plants as pilot sites to renew our concepts and strengthen quota control. We shall manage our budget in a strict and all-round manner and eliminate non-regular expenses outside the budget. To give full play to the important guiding roles of technological innovation and technical renovation on cost reduction, we emphasize not only the application of achievements of the technical renovation projects but also the reasonable opinions of our front-line operators, as the accumulation of “minor reforms and innovations” can also create huge benefits.

Resolutely Implement the Task of Further Reforms

It is now a critical and opportunistic period with fleeting opportunities for the Company’s reform and development. In the second half of the year, we shall keep a close eye on our targets and accelerate the progress of reforms to ensure that we are determinedly forging ahead. The Company will also establish a system of weekly meetings on key reform task schedules, enhancing guidance and supervision to ensure the completion of our annual targets.

Promote the Company’s Future High-quality Development

The 400,000-tonnes project, the rare and precious metal sector and cobalt salt exploration are the major projects of the Company, which are also the Company’s hope for future development and the important cornerstones for enhancing future strength. In the second half of the year, we will continue to push forward the major projects and ensure the progress of each project, in which the Company’s rare and precious metal sector will become the new highlight of our profit growth. The Company has set up a special team and has carried out various works at the preliminary stage. For our next step, we must perfect the relevant discussion and analysis and commence the project on one hand, while planning in advance the opening up of markets for raw materials and sales on the other hand, so as to transform our project resource advantage into an edge in economic development as soon as possible.

Enhance Management Approach

In the previous year, we established the warehousing ERP system. After over half a year of integration and improvement, we have currently realized the online informatization control over the whole process of planning, business and financial integration sections, etc. in general. The outcome of effective integration of procurement informatization and standardization has gradually emerged. In the second half of the year, we will focus on addressing the deep integration of warehousing ERP with tendering and procurement to simplify the process of tendering and procurement and improve the efficiency of such process, putting our informatization effort into practice, so as to advance our management level through informatization.

FINANCIAL REVIEW

The Group's revenue increased by 39.55% to approximately RMB16,824,358,000 during the period over the same period last year of RMB12,055,577,000. The increase in revenue was mainly attributable to the increase in the price of the main products of the Company.

Gross profit for the six months ended 30 June 2021 amounted to approximately RMB604,220,000 (six months ended 30 June 2020: RMB278,347,000), representing an increase of 117.07% from the previous period. The increase in gross profit was mainly attributable to (i) the resumption of normal operations of the business of the Group from the COVID-19 pandemic, (ii) the increase in mine production of the subsidiary of the Company, and (iii) the increase in the price of the products.

Finance costs for the six months ended 30 June 2021 amounted to approximately RMB156,933,000 (six months ended 30 June 2020: RMB179,542,000), representing a decrease of 12.59% from the previous period. The reduction in financial expenses was mainly attributable to the reduced interest-bearing debt scale through financing channels of revolving loans and corporation overdraft sought by the Company. Newly acquired preferential loans for import and export also suppressed the financing costs.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL

The Group did not make any significant investment during the period ended 30 June 2021.

PERFORMANCE AND PROSPECTS OF KEY INVESTMENT

The progress of the 400,000-tonnes project in the first half of 2021: change of business license regarding the business scope involving in hazardous chemical products under the operating license of Yangxin Hongsheng Copper Industry Company Limited* (陽新弘盛銅業有限公司), a non-wholly owned subsidiary of the Company, is currently under progress. The tendering and contract execution for the procurement of infrastructure and construction related equipment of the 400,000-tonnes project have been completed. Adjustments have also been made to the sub-projects of the 400,000-tonnes investment plan, with all basic design drafting generally completed. Tendering for the intelligent plant is under progress. Currently, we are facilitating the data collection system construction of the intelligent plant. As for the construction of the DCS system, tendering, contract execution and order placements have been completed at present.

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 2021, the Group's receipts and payments were mainly denominated in RMB.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had pledged bank deposits, and cash and bank balances of approximately RMB1,443,669,000 (31 December 2020: RMB420,784,000), of which the majority were denominated in Renminbi, with a current ratio of 1.01 (31 December 2020: 1.01), based on the current assets of approximately RMB8,054,658,000 (31 December 2020: RMB6,417,099,000) and current liabilities of approximately RMB7,995,079,000 (31 December 2020: RMB6,333,015,000).

The Group's gearing ratio was 258.65% (31 December 2020: 288.83%) based on the net debts (which includes bank and other borrowings, promissory note and lease liabilities less pledged bank deposits, and cash and bank balances) of approximately RMB7,287,449,000 (31 December 2020: RMB7,770,961,000) divided by equity attributable to owners of the Company of approximately RMB2,817,503,000 (31 December 2020: RMB2,690,540,000). The decrease in gearing ratio was mainly due to the decrease in net debts.

BORROWINGS

As at 30 June 2021, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB8,589,824,000 (31 December 2020: RMB8,049,175,000).

As at 30 June 2021, the Group had bank and other borrowings of approximately RMB3,346,537,000 (31 December 2020: RMB3,713,591,000) and approximately RMB4,168,783,000 (31 December 2020: RMB3,282,081,000) 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 2021, the Group had a total of 5,374 employees (30 June 2020: 5,627). The Group's total staff costs for the six months ended 30 June 2021 was approximately RMB368,513,000 (six months ended 30 June 2020: RMB295,166,000). 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 RISK

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 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2021, other deposits which amounted to approximately RMB208,178,000 (31 December 2020: RMB167,937,000) 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 approximately RMB38,303,000 (31 December 2020: RMB46,049,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, 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 2021 (six months ended 30 June 2020: Nil).

EQUITY

As at 30 June 2021, the total number of issued and fully paid ordinary shares of the Company was 17,895,579,706 with nominal value of HK\$0.05 each, amounting to a total issued share capital of approximately HK\$727,893,000.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with specific written terms of reference for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun. The Audit Committee has reviewed the interim report of the Company for the six months ended 30 June 2021.

The Company's independent auditor, SHINEWING (HK) CPA Limited, has reviewed the condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 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 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 2021.

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 2021, 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

Due to job arrangement, Mr. Yu Liming has resigned as an executive Director with effect from 15 July 2021. Mr. Xiao Shuxin has been appointed as an executive Director with effect from 15 July 2021. Save as disclosed above, the Group had no material event after the reporting period.

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 2021 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 2021

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