

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)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “Board”) of directors (the “Directors”) of China Daye Non-Ferrous Metals Mining Limited (the “Company”, together with its subsidiaries, the “Group”) announces the audited consolidated annual results of the Group for the year ended 31 December 2021 (the “year”) prepared in accordance with Hong Kong Financial Reporting Standards as follows (together with the comparative figures for the corresponding period of the previous year):

**HIGHLIGHTS**

	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	<b>35,677,656</b>	29,387,562
Gross profit	<b>1,270,548</b>	1,000,662
Profit for the year	<b>336,576</b>	301,636
Profit for the year attributable to owners of the Company	<b>286,436</b>	306,415
Basic earnings per share	<b><u>RMB1.60 fen</u></b>	<b><u>RMB1.71 fen</u></b>

During the year, revenue increased by approximately 21.40% to approximately RMB35,677,656,000, compared with approximately RMB29,387,562,000 in the same period of 2020. Gross profit increased by approximately 26.97% to approximately RMB1,270,548,000, compared with approximately RMB1,000,662,000 in the same period of 2020.

Profit for the year increased by approximately 11.58% to approximately RMB336,576,000, compared with the profit of approximately RMB301,636,000 in the same period of 2020.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

		2021	2020
	NOTES	RMB'000	RMB'000
Revenue	3, 4	35,677,656	29,387,562
Cost of sales and services rendered		<u>(34,407,108)</u>	<u>(28,386,900)</u>
Gross profit		1,270,548	1,000,662
Other income	5	66,472	79,358
Selling expenses		(50,077)	(57,059)
Administrative expenses		(394,121)	(315,615)
Other operating expenses		(17,610)	(24,483)
Impairment losses under expected credit loss model, net	6	(50,363)	(49,221)
Other gains and losses	7	(38,965)	33,834
Finance costs	8	(314,366)	(336,756)
Share of results of joint ventures		<u>—</u>	<u>—</u>
Profit before tax		471,518	330,720
Income tax expenses	9	<u>(134,942)</u>	<u>(29,084)</u>
Profit for the year	10	<u><u>336,576</u></u>	<u><u>301,636</u></u>
Profit (loss) attributable to:			
Owners of the Company		286,436	306,415
Non-controlling interests		<u>50,140</u>	<u>(4,779)</u>
		<u><u>336,576</u></u>	<u><u>301,636</u></u>
<b>Earnings per share</b>			
Basic and diluted	12	<u><u>RMB1.60 fen</u></u>	<u><u>RMB1.71 fen</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*AS at 31 December 2021*

	<i>NOTES</i>	<b>2021</b> <b>RMB'000</b>	<b>2020</b> <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>7,401,211</b>	6,454,696
Right-of-use assets		<b>952,556</b>	927,420
Exploration and evaluation assets		<b>5,179</b>	11,946
Intangible assets		<b>716,140</b>	598,795
Investments in joint ventures		<b>—</b>	—
Deferred tax assets		<b>60,638</b>	52,013
Other deposits		<b>317,610</b>	394,279
		<b>9,453,334</b>	8,439,149
<b>CURRENT ASSETS</b>			
Inventories		<b>5,825,229</b>	4,549,585
Trade and bills receivables	<i>13</i>	<b>83,447</b>	201,176
Other deposits		<b>299,096</b>	167,937
Prepayments and other receivables		<b>212,445</b>	402,453
Derivative financial instruments		<b>46,559</b>	175,164
Structured bank deposits		<b>400,000</b>	500,000
Pledged deposits		<b>195</b>	46,049
Cash, deposits and bank balances		<b>814,802</b>	374,735
		<b>7,681,773</b>	6,417,099
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>14</i>	<b>1,812,904</b>	1,601,151
Other payables and accrued expenses		<b>717,679</b>	823,710
Contract liabilities		<b>231,703</b>	44,806
Bank and other borrowings		<b>2,999,443</b>	3,713,591
Lease liabilities		<b>4,946</b>	4,715
Promissory note		<b>1,095,852</b>	—
Derivative financial instruments		<b>43,818</b>	112,342
Early retirement obligations		<b>21,530</b>	28,320
Current income tax liabilities		<b>110,662</b>	4,380
		<b>7,038,537</b>	6,333,015
<b>NET CURRENT ASSETS</b>		<b>643,236</b>	84,084
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,096,570</b>	8,523,233

	<i>NOTES</i>	<b>2021</b> <b><i>RMB'000</i></b>	<b>2020</b> <b><i>RMB'000</i></b>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>727,893</b>	727,893
Share premium and reserves		<b>2,258,618</b>	1,962,647
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>2,986,511</b>	2,690,540
Non-controlling interests		<b>1,170,863</b>	780,258
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>4,157,374</b>	3,470,798
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Other payables		<b>390,818</b>	276,333
Bank and other borrowings		<b>5,152,158</b>	3,282,081
Lease liabilities		<b>132,909</b>	137,855
Promissory note		–	1,053,503
Provision for mine rehabilitation, restoration and dismantling		<b>54,344</b>	52,816
Deferred income		<b>146,557</b>	166,227
Early retirement obligations		<b>62,410</b>	83,620
		<hr/>	<hr/>
		<b>5,939,196</b>	5,052,435
		<hr/>	<hr/>
		<b>10,096,570</b>	8,523,233
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. GENERAL

China Daye Non-Ferrous Metals Mining Limited (the “Company”) 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 “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the annual report.

The Company is principally engaged in 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 immediate and ultimate holding company of the Company is China Times Development Limited (incorporated in the British Virgin Islands) and China Nonferrous Metal Mining (Group) Co., Ltd., a state-owned enterprise established in the PRC, respectively.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

As at 31 December 2021, the Group had cash, deposits and bank balances, current portion of bank and other borrowings and promissory note of approximately RMB814,802,000, RMB2,999,443,000 and RMB1,095,852,000 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 RMB17,655,898,000; (ii) bank borrowings of RMB1,345,224,000 subsequently raised which fall due after 31 December 2022; and (iii) the extension of maturity date of promissory note to 7 March 2027, 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 consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) which are effective for the Group’s financial year beginning 1 January 2021:

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions*

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

*Interest Rate Benchmark Reform – Phase 2*

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

## New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	<i>Insurance Contracts and related Amendments</i> <sup>3</sup>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i> <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>3</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>3</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>3</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds Before Intended Use</i> <sup>2</sup>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>2</sup>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> <sup>1</sup>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018 – 2020 Cycle</i> <sup>2</sup>

- 1 Effective for annual periods beginning on or after 1 April 2021.
- 2 Effective for annual periods beginning on or after 1 January 2022.
- 3 Effective for annual periods beginning on or after 1 January 2023.
- 4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

### ***Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group's liabilities.

#### ***Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with HKAS 2 Inventories.

The amendments also clarify the meaning of “testing whether an asset is functioning properly”. HKAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of profit or loss and other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of profit or loss and other comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

#### ***Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies***

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the “four-step materiality process” described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

### ***Amendments to HKAS 8 Definition of Accounting Estimates***

The amendments to HKAS 8 introduce the definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

### ***Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB129,729,000 and RMB137,855,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.



### 3. REVENUE

Revenue represents the net amounts received and receivable for sales of goods and services rendered net of sales related taxes. An analysis of the Group's revenue for the year is as follows:

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major services lines		
Sales of goods	<b>35,642,388</b>	29,341,450
Rendering of services	<b>35,268</b>	46,112
	<b>35,677,656</b>	29,387,562

Disaggregation of revenue by timing of recognition

	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Timing of revenue recognition		
At a point in time	<b>35,642,388</b>	29,341,450
Over time	<b>35,268</b>	46,112
Total revenue from contracts with customers	<b>35,677,656</b>	29,387,562

#### **Performance obligations for contracts with customers**

The performance obligations for contracts with customers include sales of non-ferrous metals and other materials or provision of processing service directly to customers. The majority of sales are made under contractual arrangements whereby a significant portion of transaction price of each sale is received before delivery or promptly after delivery. The advance payments received from customers are recorded as contract liabilities until the control of the goods is transferred to the customers.

#### **Transaction price allocated to the remaining performance obligation for contracts with customers**

All contracts are for periods of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

#### 4. 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 provided. The CODM of the Company reviews revenue by respective products and services and the consolidated financial statements of the Group prepared in accordance with HKFRSs as a whole. However, no further discrete financial information is available. Accordingly, no operating segments information is presented other than entity-wide disclosures.

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

	<b>2021</b> <b>RMB’000</b>	2020 <i>RMB’000</i>
Sales of goods:		
Copper cathodes	<b>27,900,873</b>	21,818,063
Other copper products	<b>1,527,289</b>	494,296
Gold and other gold products	<b>1,671,004</b>	2,323,675
Silver and other silver products	<b>3,657,798</b>	4,202,676
Sulphuric acid and sulphuric concentrate	<b>451,792</b>	66,045
Iron ores	<b>133,716</b>	165,013
Others	<b>299,916</b>	271,682
	<b>35,642,388</b>	29,341,450
Rendering of services:		
Copper processing	<b>20,322</b>	27,992
Others	<b>14,946</b>	18,120
	<b>35,268</b>	46,112
Total revenue	<b>35,677,656</b>	29,387,562

#### 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:

	<b>Non-current assets</b> <b>2021</b> <b>RMB’000</b>	2020 <i>RMB’000</i>
PRC	<b>9,392,617</b>	8,386,948
Hong Kong	<b>65</b>	151
Mongolia	<b>14</b>	37
	<b>9,392,696</b>	8,387,136

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
PRC	35,189,803	28,443,624
Hong Kong	23,644	289,278
Others	464,209	654,660
	<u>35,677,656</u>	<u>29,387,562</u>

#### Information about major customers

During the years ended 31 December 2021 and 2020, none of the Group's individual customer contributed more than 10% to the total revenue of the Group.

#### 5. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest income from banks	21,615	14,451
Interest income from Nonferrous Mining Group Finance Co., Ltd ("Finance Company")	9,265	14,815
Government grants ( <i>note</i> )	3,106	15,226
Deferred income recognised	23,111	25,188
Others	9,375	9,678
	<u>66,472</u>	<u>79,358</u>

*Note:* The government grants for the year ended 31 December 2021 mainly represented subsidies for employment support of which the relevant expenses had been previously charged to profit or loss. There are no conditions and other contingencies attached to the receipts of those subsidies.

#### 6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses, net, on:		
Trade receivables – goods and services	25,685	39,865
Loans to and amounts due from a joint venture	24,609	2,554
Other receivables	69	6,802
	<u>50,363</u>	<u>49,221</u>

## 7. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
(Loss) gain on disposal of property, plant and equipment, net	(4,666)	6,644
Gain on disposal of right-of-use assets	9,703	–
Write-off of property, plant and equipment	(76,524)	(33,062)
Fair value changes from:		
Commodity derivatives contracts	–	911
Currency forward contracts	–	(224)
Currency exchange swap contracts	2,382	(7,402)
Currency option contracts	–	9,490
Gold forward contracts	(59,210)	(128,216)
Gold loans designated as financial liabilities at fair value through profit or loss	59,218	147,933
Exchange gains, net	31,294	49,134
Impairment loss of property, plant and equipment	(1,162)	(11,374)
	<b>(38,965)</b>	<b>33,834</b>

## 8. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank and other borrowings	241,668	257,161
Interest on loans from Daye Nonferrous Metals Group Holdings Company (“Daye Group”)	18,344	23,684
Interest on loans from Finance Company	14,063	12,105
Interest on loans from a fellow subsidiary	376	431
Interest on amount due to a fellow subsidiary	–	1,677
Interest on lease liabilities	6,986	7,206
Interest on promissory note	42,349	42,464
Unwind interest of provision for mine rehabilitation, restoration and dismantling	1,528	1,484
Unwind interest of early retirement obligations	2,690	3,950
Total finance costs	328,004	350,162
Less: Borrowing costs capitalised in the cost of qualifying assets	(13,638)	(13,406)
	<b>314,366</b>	<b>336,756</b>

Borrowing costs capitalised during the year ended 31 December 2020 arose on the general borrowing pool and were calculated by applying a weighted average capitalisation rate of 3.48% (2021: nil) per annum to expenditure on qualifying assets.

## 9. INCOME TAX EXPENSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Hong Kong Profits Tax		
– current year	295	1,695
PRC Enterprise Income Tax		
– current year	140,516	2,905
– under-provision in prior years	2,756	5,173
Deferred tax	(8,625)	19,311
	<u>134,942</u>	<u>29,084</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate of the Group was 25% for both years.

Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation of property, plant and equipment ( <i>note i</i> )	615,824	627,492
Depreciation of right-of-use assets ( <i>note i</i> )	32,626	30,976
Amortisation of intangible assets ( <i>note i</i> )	62,042	60,718
	<u>710,492</u>	<u>719,186</u>
Auditor's remuneration	1,887	1,887
Employee benefits expense (including directors' remuneration) ( <i>note (ii)</i> ):		
Salaries, wages and welfare	651,778	552,889
Retirement benefits scheme contributions	127,442	77,959
	<u>779,220</u>	<u>630,848</u>
Total staff costs		
	<u>779,220</u>	<u>630,848</u>
Cost of sales and services rendered:		
Cost of inventories recognised as an expense ( <i>note (iii)</i> )	34,377,352	28,350,710
Direct operating expense arising from services provided	29,756	36,190
	<u>34,407,108</u>	<u>28,386,900</u>
Research and development costs ( <i>note iv</i> )	16,873	12,378

*Notes:*

- (i) During the year, depreciation of property, plant and equipment of approximately RMB596,782,000 (2020: RMB609,142,000), and depreciation of right-of-use assets and amortisation of intangible assets and totaling approximately RMB59,987,000 (2020: RMB48,376,000) was capitalised to inventories.
- (ii) During the year, employee benefits expense of approximately RMB598,700,000 (2020: RMB524,423,000) were capitalised to inventories.
- (iii) During the year ended 31 December 2021, a write-down of raw material (2020: reversal of write-down of raw material) of approximately RMB2,784,000 (2020: RMB22,478,000) has been recognised and included in cost of inventories.
- (iv) Included in research and development costs were staff costs of approximately RMB3,589,000 (2020: RMB4,016,000) which has been included in staff costs disclosure above and cost of materials.

## 11. DIVIDEND

No dividend was paid or proposed for shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

### Earnings

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u><u>286,436</u></u>	<u><u>306,415</u></u>

### Number of shares

	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u><u>17,895,580</u></u>	<u><u>17,895,580</u></u>

The computation of diluted earnings per share for both years did 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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	159,042	219,910
Less: Allowance for credit losses	<u>(76,255)</u>	<u>(50,570)</u>
	<u>82,787</u>	<u>169,340</u>
Bills receivables:		
On hand	660	31,016
Endorsed to suppliers	<u>–</u>	<u>820</u>
	<u>660</u>	<u>31,836</u>
Total trade and bills receivables	<u><b>83,447</b></u>	<u><b>201,176</b></u>

As at 31 December 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB159,042,000 (2020: RMB219,910,000).

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 1 year.

As at 31 December 2021 and 2020, no bills receivables are discounted to banks due to improvement in debt collection.

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.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	75,814	156,355
More than 1 year, but less than 2 years	521	8,281
More than 2 years, but less than 3 years	5,158	4,703
Over 3 years	<u>1,294</u>	<u>1</u>
	<u><b>82,787</b></u>	<u><b>169,340</b></u>

#### 14. TRADE PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<b><u>1,812,904</u></b>	<b><u>1,601,151</u></b>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	<b>1,781,586</b>	1,572,821
More than 1 year, but less than 2 years	<b>23,814</b>	17,906
More than 2 years, but less than 3 years	<b>1,685</b>	743
Over 3 years	<b><u>5,819</u></b>	<u>9,681</u>
	<b><u>1,812,904</u></b>	<b><u>1,601,151</u></b>

The average credit period on purchases of goods is ranging from 60 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Revenue for the year ended 31 December 2021 amounted to approximately RMB35,677,656,000 (2020: RMB29,387,562,000), representing a year-on-year increase of approximately 21.40%. Profit for the year was approximately RMB336,576,000 (2020: RMB301,636,000), representing a year-on-year increase of approximately 11.58%. The increase was primarily attributable to the increase in selling prices of cathode copper and sulfuric acid.

In 2021, the Group produced a total of approximately 21,900 tonnes of mined copper, a decrease of approximately 12.75% over the same period last year; approximately 480,200 tonnes of copper cathode, a decrease of approximately 5.84% over the same period last year; approximately 664.25 tonnes of precious metals (including approximately 4.46 tonnes of gold, approximately 625.41 tonnes of silver, approximately 14.00 kg of platinum, approximately 165.00 kg of palladium and approximately 34.20 tonnes of tellurium), a decrease of approximately 26.20% over the same period last year; approximately 1,055,900 tonnes of chemical products such as sulphuric acid (including approximately 1,053,000 tonnes of sulphuric acid, approximately 607.74 tonnes of nickel sulphate, approximately 2,149.67 tonnes of copper sulfate and approximately 142.74 tonnes of crude selenium), a decrease of approximately 3.88% over the same period last year; approximately 105,400 tonnes of iron concentrate, a decrease of approximately 42.34% over the same period last year; and approximately 27.44 tonnes of molybdenum concentrate, a decrease of approximately 58.74% over the same period last year.

This year, facing up to the challenges of issues, the Company strengthened management improvement and bravely moved forward, creating a crucial year for the new situation of the “14th Five-Year Plan”. All our staff were united in resolutely implementing rectification, overcoming difficulties and forging ahead to stabilise the operation, and withstanding huge pressure and making great efforts to achieve the overall safety goal of zero work-related fatalities for two consecutive years. As a result, all our assessment indicators were fully achieved and a stable start of the “14th Five-Year Plan” was realised. In 2021, we mainly did the following work:

**(I) With focus on issues found in the central environmental protection inspections, rectification was resolutely conducted**

The Company implemented rectification with the strictest requirements and highest standards, and 34 sessions of educational propaganda campaigns were organised and carried out companywide at all levels. The Company organised and conducted 336 special environmental protection studies and seminars, established a rectification leading group in the first place, and set up 10 special classes for on-site work. Fengshan Copper Mine stopped production and discharge, completed the construction of flood interception ditches with high quality, and built wastewater treatment facilities to completely resolve the issue of “direct wastewater discharge”. Focusing on the complete elimination of hidden dangers, the Company implemented closed storage in advance, striving to create a model for the control of the tailing ponds along the river. Smelting plants carried out immediate rectification and pushed forward a long-term rectification plan. While completing the rectification of issues such as the control of unorganised emissions from the Ausmelt furnace, the Company accelerated the rain and sewage diversion and the project on the reconstruction of a fully enclosed plant system, and implemented system process upgrades to comprehensively promote the accomplishment of energy conservation, emission reduction and consumption reduction targets. The headquarters of Chimashan Mine efficiently promoted the implementation of rectification, and completed the demolition of a third-party occupied plant within three days. The Company completed the survey, safety status assessment, environmental impact assessment and other work of the closed storage project. Currently, according to the plan approved by the Provincial Department of Natural Resources, ecological restoration is being organised for implementation. Up to now, all the rectification items of the Company have met the requirements according to schedule.

**(II) Adhering to a market-oriented approach, overall performance and quality was improved**

This year, all units of the Company completed their tasks according to their goals and plans, proactively overcame setbacks such as rising bulk raw material prices, declining smelting and processing fees as well as addressing historical issues, and committed to stabilising various tasks in production and operation. The Company’s overall operation was steady. Smelting plants seized the high price of sulfuric acid, and reduced downtime of overhauls and optimised and adjusted the mix of raw materials putting into the furnace by working around-the-clock. The Company achieved an output of 1,031,000 tonnes of sulfuric acid, our main product, representing an excess of 21,000 tonnes over the planned capacity. In 2021, the Group produced approximately 480,200 tonnes of copper cathode, approximately 4.46 tonnes of gold, approximately 625.41 tonnes of silver, approximately 105,400 tonnes of iron concentrate. Basic requirements for production and operation was achieved stably. For the key 400,000 tonne project, construction was carried out with high standard and quality. Currently, the project has entered the peak period of equipment installation, and will be completed and put into operation this year. Going forward, it will ignite a new engine for the Company to achieve leapfrog development on an industrial scale.

**(III) By optimising systems and mechanisms, vitality within the organisation continued to increase**

The mining branch was revoked, the system of establishing mines as independent entities was restored, and the “system of five mine managerial positions” was implemented, further consolidating the main safety and environmental protection responsibilities in terms of organisational framework, leadership alignment, professionals enrichment and functional responsibility system improvement. 19 important positions, including mine manager and assistant to mine manager, were selected publicly to deepen reform of the core personnel system.

**(IV) Adhering to scientific and technological innovation, the staying power of development continued to increase**

The Company strengthened innovation guarantees, revised and published the Measures on the Management of Scientific Research (《科研管理辦法》) and Measures on Rewards for Science and Technology (《科技獎勵辦法》) of the Company, and improved the scientific and technological innovation system. Relying on research and development platforms such as the national technology centre, the Company, together with well-known domestic universities and industry-leading scientific research units such as University of Science and Technology Beijing, ENFI and Hubei Mobile, jointly set up a technological innovation consortium to carry out in-depth and all-round technological innovation cooperation in the fields of smart mine construction, clean smelting and processing, and smart factory construction surrounding green, low-carbon and digital intelligence to provide technical support for the Company’s green and high-quality development. Digital transformation was fully launched. By carrying out the digital mine pilot project of Tonglvshan Mine, the Company constructed a three-dimensional technical model of the mine to realise the application of three-dimensional software in mining design, which has well accomplished the Group’s annual tasks and goals, laying a foundation for the Company’s digital mine construction and thus playing a leading role in demonstration. The Company intensified efforts on tackling critical technological issues, and 20 patents were obtained. The Company organised and implemented a group of key scientific research projects, and achieved a number of innovative results in the fields such as digital mining and integrated innovation in smelting technology. Among them, two projects have been approved by the parent company, and four achievements have won honours such as provincial and ministerial-level special scientific and technological awards.

**(V) By reinforcing financial management, the management and control of financial expenses was strengthened**

The Company innovatively leveraged revolving loans and corporate overdraft financing to reduce provisions, and supervised on reducing the use of internal funds. The size of interest-bearing debt on average was RMB978 million lower than the budget. At the same time, fixed-rate loans with a preferential interest rate for 7-8-year projects and new import and export bank preferential loans were locked up for the 400,000-tonne project. The comprehensive financing cost was reduced by 0.32% compared with the budget, and impacts of RMB64 million was created throughout the year. In strengthening cost management and control, the Company implemented the profit doubling plan, carried out a monthly rolling calculation of efficiency, coordinated and planned the handling of historical issues in advance, and further consolidated asset quality, thus achieving a record high in operating net profit. Taking the rectification of accounting information quality as the base, and the self-inspection and rectification of financial funds as an opportunity, the Company continued to strengthen financial supervision, conscientiously implemented problem rectification, and consolidated the basic work on accounting information quality and fund security. In active response to the negative impact of the central environmental protection inspector's notification on the Company's financing environment, the Company proactively communicated with banks and balanced the credit structure and scale of each bank to ensure the safety of liquidity.

***Consolidating quality management***

Taking the copper cathode quality incident at the beginning of the year as a warning, the Company strengthened responsibility and process control, improved the quality service mechanism, continued to improve, and played its due role in system management. The annual pass rate for the output of copper cathodes was 98.79%, and the rate of output of high-quality sulfuric acid products was 96.71%. The pass rates for the output of gold and silver were 98.87% and 96.73% respectively, and the customer satisfaction rate was 97.68%.

***Reinforcing internal audit supervision***

Throughout the year, the Company carried out 23 internal audit projects, conducted a total of 71 follow-up audits of major engineering projects and settlement reviews and audits of construction projects, and organised and implemented five audits of final accounts of investment projects and one post-evaluation project. The Company stepped up efforts to deal with clues about illegal business operations and investments, and completed the verification of nine issues throughout the year, with 14 people held accountable.

### ***Strengthening risk prevention and control***

The Company deepened the early warning and monitoring of major risks, continued to track and monitor 13 major risk events of the Company throughout the year, and took effective measures to control the impact of risks on operations. The Company consolidated its responsibility for credit risk management, and dynamically tracked, analysed and reported the status of its credit risk management. There was no major credit risk event throughout the year.

### **PROSPECTS**

Currently, the epidemic situation is still severe overseas and has become worse in many places in the PRC. We must stay on guard and do well in preventing COVID-19 from entering and spreading within the country.

During the 14th Five-Year Plan period, the Group will highlight and develop a grasp of industrial optimisation, adjustment and upgrading. Under the new development pattern in which the domestic cycle is the mainstay and the domestic and international cycles reinforce each other, the Group will deepen the supply-side structural reform, focus on the main responsibility and main business to develop the real economy, and continue to promote downsizing and company health and improve quality and efficiency around the corporate strategy of the Group and the implementation of the Company's three major tasks to adjust and optimise the industrial layout and structure. The Group will build a specialised mining company, promote the optimisation and upgrading of the smelting industry chain, improve and solidify the trade business segment, innovate and develop the circular economy and industry, completely withdraw from non-principal business, establish an industrial coordinated development mechanism, improve the efficiency of resource allocation, and improve the level of modernisation of the industrial chain and supply chain to continuously enhance the vitality and profitability of the enterprise. The Group will strive to become a major domestic copper producer and copper raw materials, and make significant progress in business such as circular economy and the comprehensive development of rare and precious metals, initially achieving the goal of building a modern copper enterprise.

### **OPERATING OBJECTIVES AND STRATEGIES IN 2022**

The production volume targets of the Group for 2022 include producing 21,400 tonnes of mined coppers, 610,000 tonnes of copper cathode, 6.76 tonnes of gold, 750 tonnes of silver, 1,570,000 tonnes of sulphuric acid, 240,000 tonnes of iron concentrate, 17 kg of platinum, 240 kg of palladium, 380 tonnes of nickel sulfate (containing metal), 227 tonnes of crude selenium, 49 tonnes of tellurium, 2,700 tonnes of copper sulfate and 0 tonnes of molybdenum concentrate.

The Group would satisfactorily fulfill all objectives including the following:

**(I) Promote the transformation of development approaches with the green development concept focusing on the rectification of ecological and environmental protection issues**

The Company will resolutely hold high the banner of green development, regard environmental supervision and rectification as an important strategic opportunity to promote the Company's construction of an ecological civilisation, and comprehensively establish a green, low-carbon and circular industrial development system, truly making green the background colour of the Company's development.

The Company will complete the rectification of issues found in environmental inspections with high standard and quality, and will ensure that the rectification is completed with high quality according to the plan approved by the central government with the strictest requirements, highest standards, hardest measures and most effective results. The department responsible for the supervision and administration of safety and environmental protection will be required to establish a mechanism for rectification, supervision and acceptance check, regularly supervise the progress, and test the results item by item, to ensure that the rate of completion of rectification by the end of 2022 goes beyond 85%.

The Company will promote coordinated green and low-carbon development. Adhering to the path of green and low-carbon development, the Company will incorporate green and low-carbon developments into the Company's "14th Five-Year Plan" development strategy and planning. Centering on the national strategy of "carbon peaking and carbon neutrality", the Company will plan the "double carbon" action with high standard, taking the green and low-carbon development of energy as the key, and the first batch of pilot enterprises for carbon emission trading in Hubei Province as an opportunity. The Company will vigorously eliminate backward production capacity, continue to improve the utilisation efficiency of energy and resources, and take multiple measures to promote the reduction of total emissions, the reduction of emissions at the source and the reduction of emissions in the structure in order to build a new pattern of high-quality green development.

**(II) Promote the transformation of effectiveness and efficiency through scientific and technological innovation focusing on the concept of making progress while ensuring stability**

***Promote the construction of key projects and advance the production and operational goals***

Hongsheng Company will be required to have a deep understanding of its own major responsibilities. With the goal of "ensuring that the smelting furnace is ignited on 1 May and is fueled on 12 June", it will make preparations for trial production in advance to ensure that the production targets are achieved within the year and that there is no loss throughout the year, making a good advance for the transformation of the smelter system.



Tonglvshan Mine, Tongshankou Mine and Sareke Copper Mine will be required to break down the workload according to the mining plan, and drive monthly production on capturing daily production to ensure that production proceeds according to the annual plan. Fengshan Copper Mine will be required to speed up the process of key projects such as projects on the ecological management of open pits and the prevention and control of underground water, striving to resume production by the end of September and increase the production of mined copper by 1,200 tonnes to create impacts of RMB55 million. The mine unit will ensure that the annual output of mined copper achieves the work target of 21,400 tonnes, aiming to reach the goal of 22,600 tonnes, and that the output of iron concentrates is not be less than 240,000 tonnes. The smelting plants will be required to ensure that the annual output of mined blister copper is not less than 280,000 tonnes, and the output of copper cathodes is not less than 480,000 tonnes. At the same time, the Company will grasp and promote technological breakthroughs in process optimisation as well as upgrade and transformation of rare and precious products, striving to create impacts of more than RMB30 million. On the other hand, the Company will be required to fully implement the duties and responsibilities of business supervision and guidance, and help all units implement measures to improve quality and efficiency, increase profits and make up for deficiencies, to ensure that the Company achieves its annual profit target.

***Highlight scientific and technological innovation and implement an open competition mechanism***

In terms of mines, Fengshan Copper Mine will be required to take the pilot digital mine as an opportunity to start tackling critical problems on key technologies for the green, safe and efficient development of 5G smart mine resources. By tackling key problems, the rate of utilisation of the tailing ponds can reach 100% and the production capacity of a panel will not be less than 600t/d, aiming at reducing the total cost per ton of copper by more than 20% and increasing the annual economic benefits by approximately RMB38 million. Tonglvshan Mine will be required to carry out in-depth research on key deep paste filling technologies to realise the automation and intelligent control of paste filling, thereby reducing the production cost of mine filling units by 5%-10% and increasing the resource recovery rate by 1.5%, with the aim of increasing the annual economic benefits by RMB9.2 million or more. Tongshankou Mine will be required to concentrate efforts on the research of the copper sorting recovery rate. Under the condition that the grade of the mined copper selected is about 0.6%, the copper content of copper concentrate will be  $\geq 20\%$ , with the aim of increasing the copper sorting recovery rate by 3-4 percentage points to over 90%, and the annual economic benefits will reach more than RMB6.5 million.

In terms of smelting, the Company will be required to vigorously carry out critical technological research on the production of oxygen-enriched high-grade matte in the Ausmelt furnace to reduce the total amount of flue gas and the amount of matte, and improve thermal efficiency so that the coal consumption of the Ausmelt furnace system can be reduced by more than 10%, and will strive to increase the annual economic benefits by more than RMB13 million. By tackling critical issues in key technologies for the digital conversion of oxygen-enriched blown high-grade matte, the Company will be required to achieve the balance of flue gas in the converter and the acid-making system and the standardisation of blowing operations so that the process will be operated in a safe, efficient and stable manner, flue gas escape will be reduced, and the clean production and environmental protection targets will be reached, and will strive to increase the annual economic benefits to more than RMB28 million. Through focused efforts on key technologies for the overall optimisation of the III-system sulfuric acid processes, the Company will be required to achieve the goal of opening only one sulfuric acid system to treat the flue gas of the Ausmelt furnace and converter, thereby increasing the SO<sub>2</sub> conversion rate of the sulfuric acid system to over 99.9%, and will strive to increase the annual economic benefits by more than RMB49 million.

***Stand firm to giving priority to efficiency and vigorously promote the construction of informatisation***

The Company will continue to promote the construction of Hongsheng's smart factory, build an informatised framework and foundation with the industrial Internet platform to realise the coordination of processes and the coordination among production, supply and marketing as well as professional and job collaboration, allowing closer and more efficient collaboration among humans and between humans and machines, and creating a model for the Company's intelligent construction. It is necessary to strengthen the informatisation construction of the Company's headquarters, and further expand the coverage of the ERP business system to realise the invoicing, sales and inventory business continuity for all supplies and materials of the Company. The Company will be required to strengthen the management of information and data assets, continuously improve the informatisation construction management system, unify data sources, and establish data standards, thus laying the foundation for the ultimate realisation of data interoperability among information systems and the development of big data applications and data mining analysis.



### **(III) Promote the transformation of management concepts with full-chain through-type management and control focusing on the compliance with laws and regulations**

The Company will improve the safety and environmental protection management system. The Company will be required to improve and clarify the accountability system, perfect the list of responsibilities and tasks, and deepen the mechanisms of “fighting against the three violations”, whistleblowers, etc. It is necessary to improve the institutional system, and establish management systems, operating procedures and work standards that are based on laws and regulations covering the entire safety and environmental protection process to improve the level of scientific, standardised and normalised management for safety and environmental protection.

The Company will strengthen the core position of financial management, and build a digital financial management and control system that penetrates operations, provides real-time feedback, integrates business and finance, and keeps risks in control. The Company will promote business and financial integration. Aiming at the integration of business and finance, the Company will promote the construction of an ERP information system running through material procurement, business marketing, human resources, asset management, financial accounting and capital information to improve the level of information management and control. The Company will promote the construction of financial monitoring and control systems aiming at penetration management, build penetrating data analysis models for mines and smelting, improve the monitoring system for key indicators of operating budgets, and promote the penetration of various professional management through penetrating financial data analysis, to drive the implementation of the Company’s management and control requirements. The Company will improve quality and efficiency with innovative breakthroughs, compile special work plans with respect to technological improvement, equipment transformation, and upgrading especially for mining and smelting units, and benchmarking advanced levels with focus on key technical and economic indicators, quota consumption and other management elements to achieve breakthroughs. The Company will optimise the allocation of resources. The Company will make sure that funds are secured for the 400,000 tonne project, reduce the cost of loans, and control the use of inventory positions and accounts receivable to ensure profitability. The Company will squeeze and control the use of existing funds, strengthen the management of internal loans, make a comprehensive check on the use of inefficient and negative-yielding funds, analyse the operation of funds, manage the debt ratio on a company and strategy basis, and adjust the capital management and control model, to ensure that the Company’s asset-liability ratio is controlled within the level as issued by the Group.

The Company will strengthen compliance operation and management. It is necessary to resolutely prevent and control major business risks, strengthen the assessment, monitoring and warning of risks, improve the long-term risk management mechanism to effectively improve the awareness and work level of risk prevention and control. The Company will be required to strengthen internal audit supervision, deepen the content of economic responsibility auditing, and move forward the supervisory threshold, to achieve full audit coverage of the economic responsibility of the first person responsible. It is necessary to strengthen the follow-up auditing of major and key projects, and continue to carry out the whole-process follow-up auditing on the rectification of the “400,000 tonne project” for the environmental inspection.

The Company will implement classified assessment and precise penetrating assessment, strengthen quality management, scientific and technological innovation and positive incentives, and actively guide all units to continuously improve their core indicators for key technologies to cultivate core competitiveness. For key projects such as dealing with urgent, difficult, dangerous and daunting tasks, scientific and technological innovations, reform deepening efforts and quality and efficiency improvements, special awards will be set up to fully mobilise the enthusiasm and creativity of cadres and employees.

## **FINANCIAL REVIEW**

### **Revenue**

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB35,677,656,000 (2020: RMB29,387,562,000), representing an increase of approximately 21.40% from the previous year, attributable to the increase in selling prices of cathode copper and sulfuric acid.

### **Cost of sales and services rendered**

For the year ended 31 December 2021, the cost of sales and services rendered of the Group amounted to approximately RMB34,407,108,000 (2020: RMB28,386,900,000), representing an increase of approximately 21.21% from the previous year, which was attributable to the increase in purchase price of cathode copper.

### **Gross profit**

For the year ended 31 December 2021, gross profit increased by approximately 26.97% to approximately RMB1,270,548,000, compared with approximately RMB1,000,662,000 in the same period of 2020. The increase in gross profit was mainly attributable to the increase in selling prices of sulfuric acid.

### **Other income**

Other income for the year ended 31 December 2021 amounted to approximately RMB66,472,000 (2020: RMB79,358,000), representing a decrease of approximately 16.24% from the previous year, which was primarily attributable to the decrease in receipt of government grants of the year compared with last year.

### **Other operating expenses**

For the year ended 31 December 2021, other operating expenses decreased by approximately 28.07% to approximately RMB17,610,000, compared with approximately RMB24,483,000 in the same period of 2020. The decrease was primarily due to no other additional operating expenses this year.

### **Other gains and losses**

Other gains and losses for the year ended 31 December 2021 amounted to a net loss of approximately RMB38,965,000 (2020: net gain of RMB33,834,000), representing decrease of approximately RMB72,799,000 from net gain in the previous year. The decrease was primarily due to retirement or disposal of certain assets that cannot meet production requirements.

## **Income tax expenses**

Income tax expense for the year ended 31 December 2021 amounted to approximately RMB134,942,000 (2020: RMB29,084,000), representing an increase of approximately 363.97% from the previous year, which was primarily due to the fact that the unrecovered losses in the previous period have been used up, and the current income tax expense for 2021 is accrued.

## **Earnings per share**

For the year ended 31 December 2021, basic earnings per share amounted to RMB1.60 fen (2020: RMB1.71 fen).

## **EQUITY**

The Company's issued and fully paid share capital as at 31 December 2021 amounted to approximately RMB727,893,000 divided into 17,895,579,706 ordinary shares of HK\$0.05 each.

## **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 year ended 31 December 2021, the Group's receipts and payments were mainly denominated in RMB.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, the Group had pledged deposits, and cash and bank balances of approximately RMB814,997,000 (2020: RMB420,784,000), the majority of which were denominated in Renminbi. The Group's current ratio was approximately 1.09 (2020: 1.01), based on current assets of approximately RMB7,681,773,000 (2020: RMB6,417,099,000) divided by current liabilities of approximately RMB7,038,537,000 (2020: RMB6,333,015,000). The Group's gearing ratio as at 31 December 2021 was approximately 286.97% (2020: 288.83%), based on net debts (which included bank and other borrowings, lease liabilities and promissory note less pledged deposits, and cash and bank balances) of approximately RMB8,570,311,000 (2020: RMB7,770,961,000) divided by equity attributable to owners of the Company of approximately RMB2,986,511,000 (2020: RMB2,690,540,000). The decrease in gearing ratio was attributable to the increase in net debts and the effect of the profit for the year.

As at 31 December 2021, the Group had sufficient funding to pay off all its outstanding liabilities and meet its working capital requirement.

## **BORROWINGS**

As at 31 December 2021, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB9,247,453,000 (2020: RMB8,049,175,000).

As at 31 December 2021, the Group had bank and other borrowings of approximately RMB2,999,443,000 (2020: RMB3,713,591,000) and approximately RMB5,152,158,000 (2020: RMB3,282,081,000) which was due within one year and after one year respectively. The majority of the Group's bank and other borrowings were denominated in Renminbi. The majority of the Group's bank and other borrowings were at fixed interest rate.

## **FOREIGN EXCHANGE RISK**

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

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

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into currency forward contracts and currency option contracts, when necessary, to manage its foreign exchange exposure. During the year, certain currency forward contracts and currency option contracts had been entered 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 and joint ventures during the year ended 31 December 2021.

## **PERFORMANCE AND PROSPECTS OF KEY INVESTMENT**

The core and the source of growth of the Company's future business lie in the fields such as the development of non-ferrous metal mineral resources, the smelting of non-ferrous metal, and the research and development of precious metal materials. The Company's project on the clean production of 400,000 tonnes of high-purity copper cathodes, which is under construction, is expected to bring better returns to the Company. Going forward, the Company will continue to adhere to the strategy of "developing mines and consolidating smelting". On the current basis of "mining and smelting as the principal business featuring comprehensive complementarity", the Company will improve its competitive copper cathode production capacity, carry out overall transformation and upgrading of the existing outdated smelting system, optimise economic indicators of technology, reduce production costs, and improve production environment to enhance operational efficiency and benefits. The Company will promote the expansion and upgrading of the rare and precious metal system and the extension of the rare and precious metal industry chain to improve the smelting equipment level and profitability in an all-round way.

Save as disclosed above, the Group did not make any other significant investment during the year ended 31 December 2021.

## **CHARGES ON ASSETS**

As at 31 December 2021, other deposits which amounted to approximately RMB299,096,000 (2020: RMB167,937,000) were held in futures exchanges and certain financial institutions as security for the commodities derivative and gold forward contracts, and other financing were secured by bank deposits and balances amounting to approximately RMB195,000 (2020: RMB46,049,000).

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no contingent liabilities.

## **EVENTS AFTER THE REPORTING PERIOD**

Mr. Wang Yan has resigned as an executive Director, the chairman of the Board and the chairman of the nomination committee of the Company (the “Nomination Committee”) with effect from 28 January 2022 due to his other business commitments. Mr. Xiao Shuxin, an existing executive Director, has been appointed as the chairman of the Board and the chairman of the Nomination Committee with effect from 28 January 2022. Mr. Wan Jun has been appointed as an executive Director with effect from 28 January 2022.

Save as disclosed above, the Group had no material event after the reporting period.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2021, the Group had 5,023 employees (2020: 5,769). The Group’s total staff costs for the year was approximately RMB779,220,000 (2020: RMB630,848,000). The remuneration package of staff consists of basic salary, mandatory provident fund, insurances and other benefits as considered appropriate.

Remuneration of the employees of the Group is determined by reference to the market, individual performance and their respective contribution to the Group.

The emoluments of the Directors are subject to the recommendations of the remuneration committee of the Company and the Board’s approval. Other emoluments including discretionary bonuses, are determined by the Board with reference to the Directors’ duties, abilities, reputation and performance.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year under review, the Company had not redeemed any of its listed securities and neither the Company nor any of its subsidiaries had purchased or sold any of the Company’s listed securities.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “Audit Committee”) with specific written terms of reference for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Wang Guoqi, Mr. Wang Qihong and Mr. Liu Jishun. The Audit Committee has reviewed the final results for the year ended 31 December 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. All Directors have confirmed, following specific enquiries made by the Company, that they had complied with the required standard set out in the Model Code during the year ended 31 December 2021.

## **CORPORATE GOVERNANCE CODE COMPLIANCE**

For the year ended 31 December 2021, the Company had complied with the code provisions of the CG Code except for deviation from code provision A.1.1 of the CG Code as summarized below:

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2021, only two regular board meetings were held to review and discuss the annual results and interim results. The financial and operational data for the first and the third quarter has been given to the Directors 14 days before the meeting. All the Directors did not have opinion after reviewing and considered the holding of quarterly meetings not necessary.

## **SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

## **PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the websites of the Company at [www.hk661.com](http://www.hk661.com) and Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk). The 2021 annual report and the notice of the annual general meeting will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board  
**China Daye Non-Ferrous Metals Mining Limited**  
**Xiao Shuxin**  
*Chairman*

Hong Kong, 31 March 2022

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