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中國大冶有色金屬礦業有限公司

China Daye Non-Ferrous Metals Mining Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00661)

ANNOUNCEMENT OF UNAUDITED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 (together with the comparative figures for the corresponding period in the previous year) as follows:

HIGHLIGHTS

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Revenue	17,954.2	16,824.4
Gross profit	426.8	604.2
Profit for the period	26.1	134.3
Profit for the period attributable to owners of the Company	50.6	127.0
Basic earnings per share	RMB0.28 fen	RMB0.71 fen

Revenue for the six months ended 30 June 2022 increased by 6.72% to RMB17,954,197,000, compared with RMB16,824,358,000 in the same period of 2021.

Gross profit for the six months ended 30 June 2022 decreased by 29.37% to RMB426,771,000, compared with RMB604,220,000 in the same period of 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4, 5	17,954,197	16,824,358
Cost of sales and services rendered		<u>(17,527,426)</u>	<u>(16,220,138)</u>
Gross profit		426,771	604,220
Other income	6	27,831	27,461
Selling expenses		(17,916)	(23,656)
Administrative expenses		(254,222)	(186,937)
Other operating expenses		(4,345)	(9,423)
Other gains and losses	7	363	(3,947)
Reversal of (impairment losses) under expected credit loss model, net	8	24,281	(49,469)
Finance costs	9	<u>(151,863)</u>	<u>(156,933)</u>
Profit before tax		50,900	201,316
Income tax expense	10	<u>(24,813)</u>	<u>(67,008)</u>
Profit for the period	11	<u><u>26,087</u></u>	<u><u>134,308</u></u>
Profit (loss) for the period attributable to:			
Owners of the Company		50,579	126,963
Non-controlling interests		<u>(24,492)</u>	<u>7,345</u>
		<u><u>26,087</u></u>	<u><u>134,308</u></u>
Earnings per share	13		
– Basic		<u><u>RMB0.28 fen</u></u>	<u><u>RMB0.71 fen</u></u>
– Diluted		<u><u>RMB0.28 fen</u></u>	<u><u>RMB0.71 fen</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		7,936,695	7,401,211
Right-of-use assets		947,570	952,556
Exploration and evaluation assets		3,999	5,179
Intangible assets		685,763	716,140
Investments in joint ventures		–	–
Deferred tax assets		63,425	60,638
Other deposits		71,966	317,610
		<u>9,709,418</u>	<u>9,453,334</u>
CURRENT ASSETS			
Inventories		6,392,609	5,825,229
Trade and bills receivables	14	55,113	83,447
Other deposits		406,017	299,096
Prepayments and other receivables		461,561	212,445
Derivative financial instruments		152,589	46,559
Structured bank deposits		700,000	400,000
Restricted and pledged bank deposits		–	195
Cash and bank balances		545,085	814,802
		<u>8,712,974</u>	<u>7,681,773</u>
CURRENT LIABILITIES			
Trade payables	15	2,036,701	1,812,904
Other payables and accrued expenses		618,032	717,679
Contract liabilities		424,190	231,703
Bank and other borrowings		4,998,126	2,999,443
Promissory note		–	1,095,852
Lease liabilities		5,067	4,946
Derivative financial instruments		120,990	43,818
Early retirement obligations		19,602	21,530
Current income tax liabilities		20,934	110,662
		<u>8,243,642</u>	<u>7,038,537</u>
NET CURRENT ASSETS		<u>469,332</u>	<u>643,236</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>10,178,750</u></u>	<u><u>10,096,570</u></u>

	30 June 2022	31 December 2021
<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	2,309,197	2,258,618
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Equity attributable to owners of the Company	3,037,090	2,986,511
Non-controlling interests	1,146,371	1,170,863
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TOTAL EQUITY	4,183,461	4,157,374
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NON-CURRENT LIABILITIES		
Other payables	392,546	390,818
Bank and other borrowings	4,103,837	5,152,158
Lease liabilities	130,315	132,909
Promissory note	1,116,852	–
Provisions for mine rehabilitation, restoration and dismantling	55,131	54,344
Deferred income	134,198	146,557
Early retirement obligations	62,410	62,410
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	5,995,289	5,939,196
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	10,178,750	10,096,570
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 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 2021.

As at 30 June 2022, the Group had cash, deposits and bank balances, current portion of bank and other borrowings of approximately RMB545,085,000 and RMB4,998,126,000 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 RMB19,007,019,000 and (ii) bank borrowings of RMB1,662,520,000 subsequently raised which fall due after 30 June 2023, the directors of the Company 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 2021, 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 on 1 January 2022.

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual improvements to HKFRSs 2018-2020 cycle</i>

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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods	17,933,232	16,801,383
Rendering of services	20,965	22,975
	<u>17,954,197</u>	<u>16,824,358</u>
Timing of revenue recognition		
A point in time	17,933,232	16,801,383
Over time	20,965	22,975
	<u>17,954,197</u>	<u>16,824,358</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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods		
Copper cathodes	14,937,653	13,587,815
Other copper products	63,415	162,012
Gold and other gold products	885,416	934,223
Silver and other silver products	1,556,600	1,668,625
Sulphuric acid and sulphuric concentrate	319,172	198,201
Iron ores	75,208	130,863
Others	95,768	119,644
	<u>17,933,232</u>	<u>16,801,383</u>
Rendering of services		
Copper processing	7,989	9,406
Others	12,976	13,569
	<u>20,965</u>	<u>22,975</u>
Total revenue	<u>17,954,197</u>	<u>16,824,358</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 2022 <i>RMB’000</i> (Unaudited)	At 31 December 2021 <i>RMB’000</i> (Audited)
PRC	9,645,966	9,392,617
Hong Kong	23	65
Mongolia	4	14
	<u>9,645,993</u>	<u>9,392,696</u>

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

	Six months ended 30 June 2022 <i>RMB’000</i> (Unaudited)	2021 <i>RMB’000</i> (Unaudited)
PRC	17,627,832	16,639,700
Others	326,365	184,658
	<u>17,954,197</u>	<u>16,824,358</u>

6. OTHER INCOME

	Six months ended 30 June 2022 <i>RMB’000</i> (Unaudited)	2021 <i>RMB’000</i> (Unaudited)
Interest income from banks and others	7,423	9,178
Interest income from Daye Nonferrous Metals Group Finance Co., Ltd* (“Finance Company”)	3,178	4,220
Government grants	4,517	1,901
Deferred income released	12,472	11,592
Rental income	241	570
	<u>27,831</u>	<u>27,461</u>

* A non-banking financial institution.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Fair value changes from:		
Commodity derivatives contracts	–	15
Currency forward contracts	–	(3,947)
Currency option contracts	–	2,382
Gold forward contracts	52,990	(121,924)
Gold loans designated as financial liabilities at fair value through profit or loss (“FVTPL”)	(52,111)	125,551
(Loss) gain on disposal of property, plant and equipment, net	(2,175)	2,268
Gain on disposal of right-of-use assets	144	–
Impairment loss on property, plant and equipment	–	(34,189)
Exchange gains, net	1,515	25,897
	363	(3,947)

8. REVERSAL OF (IMPAIRMENT LOSSES) UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Reversal of (impairment losses) under expected credit loss model, net, on:		
Trade receivables measured at amortised cost	(1,305)	(24,569)
Loan to a joint venture and amount due from a joint venture	25,000	(25,265)
Other receivables	586	365
	24,281	(49,469)

9. FINANCE COSTS

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Interest on bank and other borrowings	139,461	114,166
Interest on loans from Daye Nonferrous Metals Group Holding Co., Ltd ("Daye Group")	7,476	9,677
Interest on loans from Finance Company	3,981	7,346
Interest on loans from and amounts due to a fellow subsidiary	195	205
Interest on promissory note	21,000	21,153
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	787	764
Unwind interest of early retirement obligations	915	1,345
Interest on lease liabilities	3,377	4,243
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Total borrowing costs	177,192	158,899
Less: Borrowing costs capitalised in the cost of qualifying assets	(25,329)	(1,966)
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	151,863	156,933
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10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Current tax:		
PRC Enterprise Income Tax	27,600	84,905
Deferred tax	(2,787)	(17,897)
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	24,813	67,008
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11. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Staff costs, including retirement benefit schemes contributions (notes (i) and (iv))	364,961	368,513
Retirement benefit schemes contributions	43,600	42,886
Cost of sales and services rendered:		
Cost of inventories recognised as an expense	17,486,789	16,208,300
Impairment loss of inventories (note (iii))	23,460	–
Direct operating expense arising from service provided	17,177	11,838
	<u>17,527,426</u>	<u>16,220,138</u>
Depreciation of property, plant and equipment (notes (ii) and (iv))	279,955	307,569
Amortisation of intangible assets (notes (ii) and (iv))	35,593	34,207
Depreciation of right-of-use assets (notes (ii) and (iv))	16,247	16,258

Notes:

- (i) During the current interim period, staff costs of RMB238,801,000 (unaudited) (six months ended 30 June 2021: RMB266,879,000 (unaudited)) was capitalised to inventories.
- (ii) During the current interim period, depreciation of property, plant and equipment of RMB255,026,000 (unaudited) (six months ended 30 June 2021: RMB295,029,000 (unaudited)), and amortisation/depreciation of intangible assets and right-of-use assets totaling RMB27,938,000 (unaudited) (six months ended 30 June 2021: RMB23,599,000 (unaudited)) was capitalised to inventories.
- (iii) During the current interim period, a write-down of inventories of approximately RMB23,460,000 (unaudited) (six months ended 30 June 2021: nil (unaudited)) has been recognised and included in cost of inventories.
- (iv) During the current interim period, staff costs, depreciation of property, plant and equipment and amortisation of intangible assets of RMB37,469,000, RMB13,797,000, and RMB4,400,000 respectively (unaudited) (six months ended 30 June 2021: nil (unaudited)) was included in administrative expenses during the temporary suspension period.

12. 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.

13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>50,579</u>	<u>126,963</u>
	<i>'000</i>	<i>'000</i>
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>17,895,580</u>	<u>17,895,580</u>

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

14. TRADE AND BILLS RECEIVABLES

	At	At
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	108,652	159,042
Less: Allowance for credit losses	<u>(77,560)</u>	<u>(76,255)</u>
	<u>31,092</u>	<u>82,787</u>
Bills receivables, at amortised cost:		
On hand	<u>24,021</u>	<u>660</u>
Total trade and bills receivables	<u>55,113</u>	<u>83,447</u>

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 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	25,603	75,814
More than 1 year, but less than 2 years	5,108	521
More than 2 years, but less than 3 years	286	5,158
Over 3 years	95	1,294
	<u>31,092</u>	<u>82,787</u>

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables:		
Fellow subsidiaries	<u>17,452</u>	<u>42,016</u>

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

15. TRADE PAYABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	<u>2,036,701</u>	<u>1,812,904</u>

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	2,001,612	1,781,586
More than 1 year, but less than 2 years	27,487	23,814
More than 2 years, but less than 3 years	2,352	1,685
Over 3 years	5,250	5,819
	<u>2,036,701</u>	<u>1,812,904</u>

Included in the Group's trade payables are payables to fellow subsidiaries of approximately RMB77,032,000 (31 December 2021: RMB72,296,000). The payables to fellow subsidiaries are unsecured, interest-free and are repayable within one year according to respective purchase contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, 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 2022, the Group produced a total of approximately 6,600.00 tonnes of mined copper, representing a year-on-year decrease of 51.10%; approximately 242,700.00 tonnes of copper cathode, representing a year-on-year increase of 3.28%; approximately 326.68 tonnes of precious metal (including approximately 2.24 tonnes of gold, approximately 308.56 tonnes of silver, approximately 7.00 kg of platinum, approximately 58.00 kg of palladium and approximately 15.81 tonnes of tellurium), representing a year-on-year increase of 17.23%; approximately 522,900.00 tonnes of chemical products (including approximately 521,600.00 tonnes of sulfuric acid, approximately 184.39 tonnes of nickel sulfate, approximately 1,014.49 tonnes of copper sulfate and approximately 60.94 tonnes of crude selenium), representing a year-on-year decrease of 0.85%; approximately 75,900.00 tonnes of iron concentrate, representing a year-on-year decrease of 28.00%; and approximately 0.00 tonnes of molybdenum concentrate, representing a year-on-year decrease of 100.00%.

In accordance with the principle of “focus on the industry, commitment to the principal business and dedication to expertise”, the Company will mainly make arrangements for the implementation of key projects in the Company’s “Three-Year Rolling Plan” and “14th Five-Year Plan”, rectification projects of the Central Environmental Protection Inspectorate as well as energy conservation, safety, and technological innovation projects.

In terms of resources control, the Company will actively carry out deep ore prospecting of company-owned mines, and conduct in-depth survey of Tonglvshan Mine, Fengshan Copper Mine and Tongshankou Copper Mine to ensure that the Company’s own resources will not decrease.

In terms of smelting scale improvement, the key point is to improve the smelting scale to give full play to economies of scale so as to improve the core competitiveness of the enterprise. Firstly, the project on the clean production of 400,000 tonnes of high-purity copper cathodes has been completed and put into operation with production capacity and targets reached. Secondly, the Company will carry out appropriate work for projects such as the upgrading and transformation of the rare and precious metal system.

In terms of environmental protection rectification, firstly, projects on the landfill works for hazardous smelter waste, the treatment of the main workshop of the converter, the diversion of rain and sewage, and the upgrading and transformation of water treatment will be constructed. Secondly, projects such as the project of standard upgrading and transformation of wastewater produced at Fengshan Copper Mine, the project on the closure of the tailings pond of Fengshan Copper Mine, the project on the comprehensive ecological restoration and water prevention and control for the open pit of Fengshan Copper Mine, the project on the upshift and upgrade of the tailings pond of Tongshankou Mine, the project on the treatment of the tailings pond of Chimashan Mine will be built.

In terms of scientific and technological innovation, the Company will mainly engage in the research and development of new rare and precious materials and new products. The Company will take Fengshan Copper Mine as a pilot project to carry out the construction of digital mines.

Adhering to the priority given to ecology, the mode of development underwent a profound change. The Company's proactive corrective actions and results had been fully affirmed in the onsite inspection of the parent company and the local government in the first half of the year. The Company systematically advanced its green development plan, and fully promoted the building of environmental protection informatization. Combined with environmental supervision and rectification and on the basis of repeated investigations, a preliminary plan for constructing an environmental protection informatization platform with smelters as pilot units was determined.

Adhering to the pursuit of progress while ensuring stability, efficiency and effectiveness underwent a profound change. Through monthly business scheduling meetings, the Company guided primary-level departments to highlight key points by making use of business data analysis and early warning, and key work reminders, etc. Various production and operational work as well as tough priorities were solidly advanced at all departments. The smelting plants focused on rectification on the one hand and production on the other hand, so as to ensure production through rectification, and to promote improvement through production. Comprehensive unit consumption dropped significantly, with the output of mined copper, sulfuric acid and other products exceeding the plan. For Tonglvshan Mine, adhering to the problem-oriented approach, business effectiveness diagnosis was conducted and a number of quality and efficiency enhancement projects were proposed and implemented in a targeted manner. For Fengshan Copper Mine, production was suspended but work continued, and staggering peak production promoted the transformation of copper sorting process and the construction of digital mines, which has created favorable conditions for the instant high production after resumption of production in the second half of the year. For Tongshankou Mine, the Company overcame difficulties such as the poor alignment of ore volume and made an overall planning of open-pit mining and underground operations to meet the schedule requirements. For Sareke Copper Mine, the Company highlighted the concept of creating efficiency with technology in optimizing the flotation process, which has stabilized the copper sorting recovery rate at a high level.

Adhering to compliance with laws and regulations, the management concept underwent a profound change. The Company continued to promote the transformation of management cognition. A number of institutions were engaged to carry out management diagnosis and communication in the Company and inspection visits to other peer companies were organized for core management personnel. With strict reference to legal documents such as mine construction project safety evaluation, the Company carried out the review of mine production capacity, and timely adjusted mining plans in accordance with laws and regulations. In-depth special investigations on tailings ponds, metal smelting, construction works, hazardous chemicals, and building safety were conducted. The Company also carried out investigations of compliance risks and violations of laws and regulations in business operations at all levels. The Company started construction integrating risk, compliance and internal control, forming phased results such as a database of key risk indicators and the standards for identifying internal control defects.

WORK ARRANGEMENTS IN THE SECOND HALF OF THE YEAR AND OUTLOOK

(1) Unswervingly adhering to the concept of green development, every effort will be made on the rectification of issues found in the central environmental protection inspections

With focus on long-term rectification projects, process management and control will be implemented. For projects with a longer rectification period such as the reconstruction of smelters' environmental protection upgrading system and the closed storage of the Fengshan Copper Mine tailings pond, the Company will be required to carry out solid work in terms of project feasibility study, administrative approval, acceptance of construction work, post-project evaluation and other full-cycle management work with the basic principle of "scientific and standardized rectification". For the smelting plants, the Company will be required to pay attention to the operation of the converter's environmental smoke collection system and the Datang sewage treatment facility. For Fengshan Copper Mine, the Company will be required to focus on the advanced treatment system and the management of the Yangtze River waste outlet. By increasing the monitoring coverage and frequency, adjusting process parameters and other means, the hidden environmental dangers will be discovered and eliminated in time to ensure that the discharge of waste water and waste gas is up to the standard.

Firstly, the Company will further enhance the awareness of environmental protection among all employees. The Company's special seminar on "green and high-quality development" will be promoted to guide all employees to gain an insight and understanding of ecological and environmental protection work from a longer-term perspective. Secondly, the Company will further improve the environmental protection management system. The Company will continue to carry out environmental protection system optimization and publicity work, and will establish and improve horizontal and vertical environmental protection responsibility systems for all employees and scientific environmental protection management and assessment systems to ensure that each environmental management indicator is put into practice in terms of production and operational elements. Thirdly, the Company will further promote the environmental-friendly production process. The Company will plan and push the implementation of the old metallurgical production system upgrading and transformation project and the mine paste filling technology solution to achieve environmental protection at the source. Fourthly, the Company will further accelerate the "carbon peaking and carbon neutrality" action. It is necessary to study and formulate the high-energy-consuming equipment elimination list and speed up the implementation to ensure that 80% of the assessment targets is completed by the end of the year.

(2) Resolutely aiming for progress while ensuring stability, every effort will be made on the safety of production and operation

The 400,000-tonne project will be put into operation at full speed. The 400,000-tonne project is not only a key provincial and municipal project but also a major project of the Company. Yangxin Hongsheng Copper Industry Company Limited, on the premise of ensuring safety and quality, will effectively strengthen work coordination and accelerate the construction of supporting projects and equipment installation and commissioning to ensure production in the third quarter and that the targets and production are achieved as soon as possible.

Every effort will be made to promote the stable and increased production of main and by-products. For the smelting plants, taking into account the organization of daily production and the tackling of critical issues in scientific and technological testing, the Company will think ahead and make flexible arrangement to increase the output of mined blister copper and other profitable products. For Tonglvshan Mine, Tongshankou Mine and Sareke Copper Mine, the Company will 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. For Fengshan Copper Mine, the Company will systematically advance projects such as the construction of filling stations and the transformation of copper sorting processes, and simultaneously make preparations for production to play the backbone role of a principal mine.

Measures will be fully implemented to improve quality and efficiency. Entering the second half of the year, affected by the global economic recession and other factors, the prices of copper cathodes, sulfuric acid and other products declined, and the copper price even fell below US\$7,000/tonne for the first time in nearly 20 months, bringing a lot of uncertainties to the realization of the Company's annual business goals. For the smelting plants, the Company will reduce the comprehensive energy consumption of mined blister copper and the unit consumption of water per tonne of copper by increasing the oxygen concentration to strengthen the smelting process and reduce the use of coal consumption so as to achieve cost reduction and increase efficiency. By reinforcing the management of metal loss points and other means, the Company will further improve the comprehensive recovery rate of metals such as copper. For the mines and other units, the Company will intensify cost control, continuously carry out cost analysis and diagnosis, accelerate the centralized procurement of homogeneous materials, manage and control quota consumption and reduce the cost of elements to ensure that various cost and expense reduction measures are effective.

(3) Firmly following the goal of scientific and technological innovation, every effort will be made on upgrading the enterprise

Firstly, in terms of production process optimization, the Company will strengthen critical scientific and technological research to achieve independent control of core technologies. For the smelting plants, with focus on projects such as “Critical Research on Key Technologies for the Production of Oxygen-enriched and High-grade Matte in Ausmelt furnace”, the Company will step up investment in technical personnel, resources and equipment, and scientific research funds, striving for early breakthroughs in indicators such as the comprehensive energy consumption of the smelting system and the SO₂ conversion rate of the sulfuric acid system of Ausmelt furnace, and will promote the continuous improvement of the enterprise's core competitiveness with the continuous optimization of key indicators. For Tonglvshan Mine and Fengshan Copper Mine, the Company will strengthen research on rock mechanics and key paste filling technology, conduct in-depth technical tests such as paste filling ratio and tailings flocculation and settlement, and simultaneously quicken hardware input such as infrastructure construction and equipment reconstruction at the filling stations, striving to take the lead in realizing the onsite industrial application of the paste filling process before the end of the year. For Tongshankou Mine, aiming at on the goal of “increasing the copper sorting recovery rate by more than 2.5 percentage points”, the Company will speed up key testing to master critical technical processes so that phased results can be created as soon as possible.

Secondly, in terms of intelligent manufacturing, the Company will accelerate the application of new technologies and new equipment to realize the iterative upgrade of production organization. The Company will quicken the construction of digital mines. Relying on the jointly created 5G laboratory, the Company will accelerate and promote the integrated management and control of mine production safety and efficiency with three-dimensional mine software as the cornerstone and new automatic trackless equipment as the core. The Company will accelerate and promote the use of trackless equipment such as underground excavation trolleys, as well as the work on purchasing supporting front-end slag cleaning equipment and subsequent medicine shipment equipment so as to promote the transformation toward an unmanned, mechanized and digitalized organization of mine production. The Company will accelerate and promote the construction of intelligent and clean factories. Relying on the 400,000-tonne project platform, the Company will conduct research on technological breakthroughs in intelligent copper smelting factories to accelerate the digestion and absorption of intelligent manufacturing technologies. At the same time, combined with the upgrading and transformation of the smelting plants, mature intelligent scenarios will be replicated, promoted and applied to improve the level of production control and organizational efficiency.

Thirdly, in terms of informatization management, the Company will rely on data empowerment to achieve upgrade of the management model. The Company will oversee the construction of EPR management systems such as business marketing system, financial statement system, and information-based measurement system, continuously improve the operating mechanisms of the informatization management system to speed up the integration and connection among systems, thus laying the foundation for the ultimate realization of data interoperability and comprehensive analysis utilization.

FINANCIAL REVIEW

The Group's revenue increased by 6.72% to approximately RMB17,954,197,000 during the period over the same period last year of RMB16,824,358,000. The increase in revenue was mainly attributable to a year-on-year increase in the selling price of the main products of the Company.

Gross profit for the six months ended 30 June 2022 amounted to approximately RMB426,771,000 (six months ended 30 June 2021: RMB604,220,000), representing a decrease of 29.37% from the previous period. The decrease in gross profit was mainly attributable to, under the influence of environmental inspections, the temporarily suspended production for rectification of Fengshan Copper Mine and low-load production such as Sareke Copper Mine under the subsidiaries of the Company in the first half of 2022, resulting in a decline in the output of self-owned mines and a decline in profitability.

Finance costs for the six months ended 30 June 2022 amounted to approximately RMB151,863,000 (six months ended 30 June 2021: RMB156,933,000), representing a decrease of 3.23% from the previous period. The reduction in financial expenses was attributable to the reduced interest-bearing debt scale through financing channels of revolving loans and corporation overdraft account sought by the Company, and at the same time seizing the loan market window period to replace high-cost loans to reduce financing costs.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL

The Group did not make any significant investment during the period ended 30 June 2022.

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 metals, 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.

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 2022, the Group's receipts and payments were mainly denominated in RMB.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had pledged bank deposits, and cash and bank balances of approximately RMB545,085,000 (31 December 2021: RMB814,997,000), of which the majority were denominated in Renminbi, with a current ratio of 1.06 (31 December 2021: 1.09), based on the current assets of approximately RMB8,712,974,000 (31 December 2021: RMB7,681,773,000) and current liabilities of approximately RMB8,243,642,000 (31 December 2021: RMB7,038,537,000). The Group's gearing ratio was 322.98% (31 December 2021: 286.97%) based on the net debts (which includes bank and other borrowings, promissory notes and lease liabilities less pledged bank deposits, and cash and bank balances) of approximately RMB9,809,112,000 (31 December 2021: RMB8,570,311,000) divided by equity attributable to owners of the Company of approximately RMB3,037,090,000 (31 December 2021: RMB2,986,511,000). The increase in gearing ratio was mainly due to the increase in net debts.

BORROWINGS

As at 30 June 2022, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB10,218,815,000 (2021: RMB9,247,453,000).

As at 30 June 2022, the Group had bank and other borrowings of approximately RMB4,998,126,000 (31 December 2021: RMB2,999,443,000) and approximately RMB4,103,837,000 (31 December 2021: RMB5,152,158,000) 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 2022, the Group had a total of 5,269 employees (30 June 2021: 5,374). The Group's total staff costs for the six months ended 30 June 2022 was approximately RMB364,961,000 (six months ended 30 June 2021: RMB368,513,000). 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 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2022, other deposits which amounted to approximately RMB406,017,000 (31 December 2021: RMB299,096,000) 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 nil (31 December 2021: RMB195,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, 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 2022 (six months ended 30 June 2021: Nil).

EQUITY

As at 30 June 2022, 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 2022.

The Company's independent auditor, SHINEWING (HK) CPA Limited, has reviewed the condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 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 2022.

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 2022.

EVENTS AFTER THE REPORTING PERIOD

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 2022 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
Xiao Shuxin
Chairman

Hong Kong, 31 August 2022

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