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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 2023

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 2023 (together with the comparative figures for the corresponding period in the previous year) as follows:

HIGHLIGHTS

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
	(Unaudited)	(Unaudited)
Revenue	21,168.1	17,954.2
Gross profit	830.8	426.8
Profit for the period	84.3	26.1
Profit for the period attributable to owners of the Company	17.4	50.6
Basic earnings per share	RMB0.10 fen	RMB0.28 fen

Revenue for the six months ended 30 June 2023 increased by 17.90% to RMB21,168,130,000, compared with RMB17,954,197,000 in the same period of 2022.

Gross profit for the six months ended 30 June 2023 increased by 94.67% to RMB830,813,000, compared with RMB426,771,000 in the same period of 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4, 5	21,168,130	17,954,197
Cost of sales and services rendered		<u>(20,337,317)</u>	<u>(17,527,426)</u>
Gross profit		830,813	426,771
Other income	6	16,500	27,831
Selling expenses		(41,634)	(17,916)
Administrative expenses		(239,369)	(177,932)
Other operating expenses		(181,169)	(80,635)
Other gains and losses	7	(5,457)	363
(Impairment losses) reversal of impairment losses under expected credit loss model, net	8	(1,646)	24,281
Finance costs	9	<u>(239,414)</u>	<u>(151,863)</u>
Profit before tax		138,624	50,900
Income tax expense	10	<u>(54,326)</u>	<u>(24,813)</u>
Profit for the period	11	<u>84,298</u>	<u>26,087</u>
Profit (loss) for the period attributable to:			
Owners of the Company		17,362	50,579
Non-controlling interests		<u>66,936</u>	<u>(24,492)</u>
		<u>84,298</u>	<u>26,087</u>
Earnings per share	13		
– Basic and diluted		<u>RMB0.10 fen</u>	<u>RMB0.28 fen</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023	31 December 2022
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		9,004,737	9,131,706
Right-of-use assets		916,858	933,766
Exploration and evaluation assets		8,198	8,198
Intangible assets		615,769	651,234
Investments in joint ventures		–	–
Deferred tax assets		74,822	99,970
Other deposits		114,618	156,808
		<u>10,735,002</u>	<u>10,981,682</u>
CURRENT ASSETS			
Inventories		10,317,598	10,026,776
Trade and bills receivables	14	69,783	56,759
Other deposits		904,509	687,156
Prepayments and other receivables		753,642	527,197
Derivative financial instruments		236,420	100,139
Structured bank deposits		300,000	–
Pledged bank deposits		24,000	24,000
Cash and bank balances		857,590	820,040
		<u>13,463,542</u>	<u>12,242,067</u>
CURRENT LIABILITIES			
Trade payables	15	2,218,553	3,590,256
Other payables and accrued expenses		1,275,371	1,397,421
Contract liabilities		125,308	50,461
Bank and other borrowings		8,031,226	6,695,567
Lease liabilities		6,270	6,037
Derivative financial instruments		93,565	113,616
Early retirement obligations		15,539	18,010
Current income tax liabilities		24,501	76,808
		<u>11,790,333</u>	<u>11,948,176</u>
NET CURRENT ASSETS		<u>1,673,209</u>	<u>293,891</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>12,408,211</u></u>	<u><u>11,275,573</u></u>

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
CAPITAL AND RESERVES		
Share capital	727,893	727,893
Share premium and reserves	<u>2,389,210</u>	<u>2,369,200</u>
Equity attributable to owners of the Company	3,117,103	3,097,093
Non-controlling interests	<u>1,259,409</u>	<u>1,176,515</u>
TOTAL EQUITY	<u>4,376,512</u>	<u>4,273,608</u>
NON-CURRENT LIABILITIES		
Other payables	374,599	373,138
Bank and other borrowings	6,113,541	5,114,459
Lease liabilities	125,826	128,610
Promissory note	1,159,200	1,138,200
Provisions for mine rehabilitation, restoration and dismantling	98,527	73,656
Deferred income	123,006	129,702
Early retirement obligations	<u>37,000</u>	<u>44,200</u>
	<u>8,031,699</u>	<u>7,001,965</u>
	<u><u>12,408,211</u></u>	<u><u>11,275,573</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2022.

As at 30 June 2023, the Group had cash, deposits and bank balances, current portion of bank and other borrowings of approximately RMB857,590,000 and RMB8,031,226,000 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 approximately RMB17,347,951,000 and (ii) bank borrowings of approximately RMB1,074,876,000 subsequently raised which fall due after 30 June 2024, 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 2022, except as described below.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2023.

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform–Pillar Two Model Rules

Except as described below, the application of the new and 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.

Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 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, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The Group previously applied requirements under HKAS 12 Income taxes to the relevant assets and liabilities arising from a single transaction as a whole. Temporary differences relating to relevant assets and liabilities are assessed from a net basis. Upon application of the amendments to HKAS 12, the Group has assessed the relevant deferred tax assets and deferred tax liabilities for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities separately.

There was no material impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of HKAS 12. There was no material impact on the opening retained earnings as at 1 January 2022. The key impact for the Group relates to the disclosure of deferred tax assets and liabilities recognised, and the relevant disclosure will be provided in the Group’s annual consolidated financial statements.

4. REVENUE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods	21,151,022	17,933,232
Rendering of services	17,108	20,965
	<u>21,168,130</u>	<u>17,954,197</u>
Timing of revenue recognition		
A point in time	21,151,022	17,933,232
Over time	17,108	20,965
	<u>21,168,130</u>	<u>17,954,197</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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of goods		
Copper cathodes	18,534,989	14,574,026
Other copper products	600,659	427,042
Gold and other gold products	806,754	885,416
Silver and other silver products	1,014,464	1,556,600
Sulphuric acid and sulphuric concentrate	84,397	319,172
Iron ores	32,087	75,208
Others	77,672	95,768
	<u>21,151,022</u>	<u>17,933,232</u>
Rendering of services		
Copper processing	6,584	7,989
Others	10,524	12,976
	<u>17,108</u>	<u>20,965</u>
Total revenue	<u>21,168,130</u>	<u>17,954,197</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) by location of assets are detailed below:

	At 30 June 2023 <i>RMB’000</i> (Unaudited)	At 31 December 2022 <i>RMB’000</i> (Audited)
PRC	<u>10,660,180</u>	<u>10,881,712</u>

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

	Six months ended 30 June 2023 <i>RMB’000</i> (Unaudited)	2022 <i>RMB’000</i> (Unaudited)
PRC	20,469,998	17,627,832
Others	<u>698,132</u>	<u>326,365</u>
	<u>21,168,130</u>	<u>17,954,197</u>

6. OTHER INCOME

	Six months ended 30 June 2023 <i>RMB’000</i> (Unaudited)	2022 <i>RMB’000</i> (Unaudited)
Interest income from banks and others	1,484	7,423
Interest income from Nonferrous Mining Group Finance Co., Ltd.* (“Finance Company”)	3,691	3,178
Government grants (<i>note</i>)	450	4,517
Deferred income released	10,594	12,472
Rental income	<u>281</u>	<u>241</u>
	<u>16,500</u>	<u>27,831</u>

* A non-banking financial institution.

Note: The government grants for the six months ended 30 June 2023 and 2022 mainly represented subsidies for employment support and incentive fund for foreign trade 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.

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value changes from:		
Gold forward contracts	115,352	52,990
Gold loans designated as financial liabilities at fair value through profit or loss (“FVTPL”)	(118,479)	(52,111)
Gain (loss) on disposal of property, plant and equipment, net	3,619	(2,175)
Gain on disposal of right-of-use assets	–	144
Write-off of property, plant and equipment	(507)	–
Loss on deregistration of subsidiaries	(17,404)	–
Exchange gains, net	11,962	1,515
	<u>11,962</u>	<u>1,515</u>
	<u>(5,457)</u>	<u>363</u>

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses (reversal of impairment losses) under expected credit loss model, net, on:		
Trade receivables measured at amortised cost	1,474	1,305
Loan to a joint venture and amount due from a joint venture	–	(25,000)
Other receivables	172	(586)
	<u>1,474</u>	<u>(25,000)</u>
	<u>1,646</u>	<u>(24,281)</u>

9. FINANCE COSTS

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Interest on bank and other borrowings	203,978	139,461
Interest on loans from Daye Nonferrous Metals Group Holding Co., Ltd. ("Daye Group")	8,704	7,476
Interest on loans from Finance Company	835	3,981
Interest on loans from and amounts due to a fellow subsidiary	12	195
Interest on promissory note	21,000	21,000
Unwind interest of provisions for mine rehabilitation, restoration and dismantling	810	787
Unwind interest of early retirement obligations	776	915
Interest on lease liabilities	3,299	3,377
	<hr/>	<hr/>
Total borrowing costs	239,414	177,192
Less: Borrowing costs capitalised in the cost of qualifying assets	–	(25,329)
	<hr/>	<hr/>
	239,414	151,863
	<hr/> <hr/>	<hr/> <hr/>

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Current tax:		
PRC Enterprise Income Tax	29,178	27,600
Deferred tax	25,148	(2,787)
	<hr/>	<hr/>
	54,326	24,813
	<hr/> <hr/>	<hr/> <hr/>

11. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefits expense (<i>note(i)</i>):		
Staff costs, including retirement benefit schemes contributions	344,246	364,961
Retirement benefit schemes contributions	51,120	43,600
	<hr/>	<hr/>
Total staff costs	395,366	408,561
	<hr/>	<hr/>
Cost of sales and services rendered:		
Cost of inventories recognised as an expense	20,308,710	17,486,789
Impairment loss of inventories (<i>note (iii)</i>)	16,810	23,460
Direct operating expense arising from service provided	11,797	17,177
	<hr/>	<hr/>
	20,337,317	17,527,426
	<hr/>	<hr/>
Depreciation of property, plant and equipment (<i>notes (ii)</i>)	363,596	279,955
Amortisation of intangible assets (<i>notes (ii)</i>)	35,465	35,593
Depreciation of right-of-use assets (<i>notes (ii)</i>)	16,908	16,247
	<hr/>	<hr/>

Notes:

- (i) During the six months ended 30 June 2023, staff costs of RMB273,232,000 (unaudited) (six months ended 30 June 2022: RMB238,801,000 (unaudited)) was capitalised to inventories. During the six months ended 30 June 2023, employee benefits expense in relation to production approximately RMB50,584,000 (six months ended 30 June 2022: RMB37,469,000) was recognised as expenses and included in other operating expenses due to temporary shutdown of mining sites.
- (ii) During the six months ended 30 June 2023, depreciation of property, plant and equipment of approximately RMB315,204,000 (unaudited) (six months ended 30 June 2022: RMB255,026,000 (unaudited)) and depreciation of right-of-use assets and amortisation of intangible assets of totalling approximately RMB30,568,000 (unaudited) (six months ended 30 June 2022: RMB27,938,000 (unaudited)) were capitalised to inventories respectively. During the six months ended 30 June 2023, depreciation of property, plant and equipment of approximately RMB38,744,000 (unaudited) (six months ended 30 June 2022: RMB13,797,000 (unaudited)) and depreciation of right-of-use assets and amortisation of intangible assets of totaling approximately RMB3,702,000 (unaudited) (six months ended 30 June 2022: RMB4,400,000 (unaudited)) in relation to production were recognised as expenses and included in other operating expenses due to temporary shutdown of mining sites.
- (iii) During the six months ended 30 June 2023, a write-down of inventories of approximately RMB16,810,000 (unaudited) (six months ended 30 June 2022: RMB23,460,000 (unaudited)) has been recognised and included in cost of inventories.

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>17,362</u>	<u>50,579</u>
	'000	'000
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
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	110,196	101,494
Less: Allowance for credit losses	<u>(46,209)</u>	<u>(44,735)</u>
	<u>63,987</u>	<u>56,759</u>
Bills receivables:		
On hand	<u>5,796</u>	–
Total trade and bills receivables	<u>69,783</u>	<u>56,759</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 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	43,921	38,082
More than 1 year, but less than 2 years	1,389	18,274
More than 2 years, but less than 3 years	18,276	2
Over 3 years	401	401
	<u>63,987</u>	<u>56,759</u>

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

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables:		
Fellow subsidiaries	<u>46,814</u>	<u>45,128</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 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Trade payables	<u>2,218,553</u>	<u>3,590,256</u>

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

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	2,207,485	3,576,635
More than 1 year, but less than 2 years	4,832	8,890
More than 2 years, but less than 3 years	2,979	665
Over 3 years	<u>3,257</u>	<u>4,066</u>
	<u>2,218,553</u>	<u>3,590,256</u>

Included in the Group's trade payables are payables to fellow subsidiaries of approximately RMB14,812,000 (31 December 2022: RMB135,020,000). 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 2023, 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 2023, the Group produced a total of approximately 6,200.00 tonnes of mined copper, representing a year-on-year decrease of approximately 6.06%; approximately 313,189.00 tonnes of copper cathode, representing a year-on-year increase of approximately 29.04%; approximately 189.98 tonnes of precious metal (including approximately 1.88 tonnes of gold, approximately 180.15 tonnes of silver, approximately 3.00 kg of platinum, approximately 69.00 kg of palladium and approximately 7.88 tonnes of tellurium), representing a year-on-year decrease of approximately 41.85%; approximately 957,647.00 tonnes of chemical products (including approximately 954,467.00 tonnes of sulfuric acid, approximately 0.00 tonnes of nickel sulfate, approximately 3,119.95 tonnes of copper sulfate and approximately 60.20 tonnes of crude selenium), representing a year-on-year increase of approximately 83.14%; approximately 39,640.00 tonnes of iron concentrate, representing a year-on-year decrease of approximately 47.77%; and approximately 5.49 tonnes of molybdenum concentrate, representing a year-on-year increase of approximately 5.49 tonnes.

The Company took the initiative to put pressure and measures on stabilizing and increasing productivity, to find countermeasures and enhancement in management efficiency improvement, and to find ways and means to deepen reform. Due to the whole Company united as one in perfect harmony forging ahead with determination, the production and operation have shown the momentum of leaping up against the trend. The Company continued to promote the five objectives:

(1) Adhering to green and low carbon to promote the leap in development concepts

In the first half of this year, we continued to promote the rectification work of the central environmental protection inspection. **Fengshan Copper Mine** made every effort to promote the project on the closure of the tailing pond, all the main projects such as dam beach levelling were completed, and tunneling of the emergency flood discharge tunnel project was completed. We took the initiative to contact the Yangtze River Authority (長江流域管理局) and successfully obtained the approval for the expansion of the tailing pond outfall, laying a solid foundation for the subsequent full resumption of production. The smelter's environmental upgrading process has been fully promoted, and up to now, the reinforcement and elevation of the converter workshop and the construction of the frame structure of the concentrate storage expansion and 60% of the equipment installation have been completed. **Chimashan Mine** overcame many difficulties and the main works of the ecological restoration project have been fully completed. Up to now, 24 rectification measures led by the Company have passed the acceptance audit, and the results of the rectification have been fully recognized. In May 2023, CCTV News reported the environmental protection inspection and rectification results of Fengshan Copper Mine tailing pond in a special program on inspection and rectification.

(2) Adhering to serving the Company’s overall situation, and promoting the leap of beneficial scale by stabilizing and increasing production

In the first half of this year, in the face of many adverse effects on production and operation, all departments of the Company were not overwhelmed by the difficulties, always focused on the overall situation of the Company’s development, forged ahead under pressure, and strived to guarantee, stabilize and increase production. **Yangxin Hongsheng** took only three months to achieve the production capacity planned and six months to meet the target of stable production. The major product output and economic indicators reached the value planned, and the exceeding production of the mined blister copper in the first half of the year met the requirements of the progress of the increase in production and efficiency, giving full play to the role of a pillar of the overall situation of stable production and operation. **The smelter**, while transforming and producing at the same time, strengthened the lifespan breakthrough of the shaft furnace and the process control. The anode plate production in the copper breakage (紫雜銅) workshop increased by nearly 80%. While launching the system transformation, the copper breakage system and electrolysis system production were reasonably organized. As a result, the production in the first half of the year met the planned requirements. **Sareke Copper Mine** strengthened production organization and target control, and completed the planned copper production in the first half of the year and overfulfilled the production target. The **Production Management Department** gave full play to the role of production organization, coordinating the mining and smelting production. It adopted weekly scheduling, analysis and early warning and key works to solve various problems such as production bottlenecks in a timely manner, and played an active role in the Company’s implementation of production management.

(3) Adhering to science and technology to lead the leap of innovation ability

The construction of the intelligent mine project was promoted with high quality. The pilot mine **Fengshan Copper Mine** has completed the construction of the underground 5G dedicated network, three-dimensional modelling and the management and control center, etc., leading to the achievement of the remote centralized control of the auxiliary shaft hoisting, drainage, ventilation, pressurized air system and ore crushing system. The preliminary construction of the integrated communication network of the mine has been completed. **To promote the construction of an intelligent factory with high standards,** Yangxin Hongsheng focused on the construction of an industrial Internet platform for the entire plant’s production and operation, developed and deployed intelligent application modules for safety and environmental protection, energy, and process scheduling, and realized the digitization of production and operation information, the visualization of business management, and the continuity of value exploration. The Ministry of Science and Information Technology, the Mining Technology Department and other departments focused on key technological indicators of the main industry sector, striving to promote a series of breakthroughs in rock mechanics research in the mines, the application of trackless mining equipment, the use of synergistic mining in the large panel, and the technology of full tailings paste filling, which resulted in a significant increase in the efficiency of the mine operations. Focusing on the optimization of the process, the upgrading of technical equipment, and the launching of the key technological breakthroughs in the Ausmelt Furnace has led to the achievement of the Ausmelt Furnace’s stable production. The key technological breakthrough in the oxygen-enriched bottom-blown high-grade matte production process system optimization has led to the achievement of the converter’s stable production.

(4) Adhering to promoting vitality and efficiency with continuous reform

We strived for mechanism reform. Through the pilot departments' first try, exploration and practice, Tongshankou Mine was selected as a pilot unit of reform. It implemented the reform of salary incentive and market-oriented differential remuneration mechanism, and formulated implementation plans to encourage the role of a small number of key staffs, promote the salary reform of pilot units, and improve quality and efficiency. We deeply promoted the transformation of the Company's selection and employment orientation and mechanism. The Human Resources Department fully implemented competitive selection of talents, and carried out public selection of important positions in the Company, so that a number of outstanding young talents can stand out from the crowd. We rigidly carried out annual assessment on leaders strictly in line with the objectives of the reform. Promoting exercise for the idea exchange of management personnel on a regular basis, the Company carried out idea exchanges of management personnel up and down the Company, which greatly stimulated the working vitality and motivation of management personnel.

(5) Adhering to promoting the governance level with the improvement of management

The Safety and Environmental Protection Supervision and Management Department deeply practiced the concept of safety and environmental protection policies, carried out various checklist inspections in the first half of the year, investigated hidden dangers, supervised 99% of the rectification, and continuously promoted the improvement of the safety management level of each unit. It successfully completed the on-site emergency drill and shaft fire emergency drill of non-coal mine disaster organized by Hubei Province, and the effect of the drill was fully affirmed. **The Financial Department** took the promotion of "six efficiency enhancements" as an important starting point, implemented revenue increase and expenditure reduction, and actively strived for preferential policies. Adhering to the concept of "quality first", **the Quality Audit Center** made every effort to the quality control, which effectively guaranteed the steady improvement of the quality of the Company's main products. **The Trade and Futures Supervision and Management Department** carried out comprehensive self-examinations and self-corrections, and actively performed verification and cooperation. It strengthened the application of the Group's e-commerce platform and the Company's ERP system of material management, and launched a series of supervisory measures such as special investigation on procurement business and supplier negotiation to continuously promote the compliance and efficiency of procurement. **The Audit and Risk Control Department** continued to enhance the effectiveness of audit and supervision, focusing on the regulation of exercise of power and compliance risk control, deepening the content of audit, expanding the coverage of audit, completing a number of internal audits, such as the audit of procurement business and the audit of the settlement of construction projects, and analyzing the reasons from a deeper level to reveal the risks and hidden dangers, thus continuously promoting the soundness and perfection of the Company's internal control system.

WORK ARRANGEMENTS IN THE SECOND HALF OF THE YEAR AND OUTLOOK

There are still many unstable factors in the international and domestic economic situation, and the prospect of global economic recovery is relatively bleak, with economic growth still slow, and the world economy is facing enormous pressure of long-term low growth. On the domestic front, according to information recently released by the National Bureau of Statistics, although domestic production demand has continued to pick up and the major macro indicators for the first half of the year are also within a reasonable range, the current domestic economy is still in a steady and strengthening trend, and it will take a longer period of time for the economy to recover to the level prior to the outbreak of the epidemic.

The second half of the year is characterized by multiple uncertainties in production and operations. Taking the sulphuric acid price as an example, the market is currently in a continuous downward trend and it is expected that the decline in sulphuric acid price throughout the year will lead to a reduction in profit. What's more, **for the mine production,** we have only completed 75.7% of the progress plan compared to the plan for copper mine production in the first half of the year. Also, for **the smelter renovation,** it is originally scheduled to be completed by 20 August 2023 which is expected to be delayed.

At present, the Company is in a critical period of leaping up against the trend, and the central environmental protection inspection and rectification has entered into the final important stage. Although the progress of smelter upgrading and transformation is temporarily lagging behind, we are confident to surpass the past in terms of economic and technical indicators or operational benefits after it is put into production. Our mines are also undergoing a profound scientific and technological revolution, and it is believed that we can create a number of intelligent mine constructions; and Yangxin Hongsheng's strong performance, stable and overproduction of the operation have also played a strong guarantee for the business.

To this end, the focus should be on “going all out” in three aspects:

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

In the past two years, the effectiveness of the rectification work has been fully recognized. As the half-year supervision period is approaching, the Group will make every effort to comprehensively sort out, organize and structure various projects and measures to ensure that it is in the best condition to meet the inspection.

(2) Resolutely focusing on the progress while ensuring production stability, every effort will be made on the safety of production

1. Making every effort to stabilize safety and environmental protection. At present, the Company's production and operation are in an upward trend and safety and environmental protection accidents are not allowed. Therefore, the Group must ensure that safety and environmental protection work will be carried out without fail to ensure the stability of the Company's production and operation.

2. **Making every effort to promote stabilizing and expanding production.** The Group will establish the concept that production volume is efficiency and put it into the overall situation of the Company's annual production and operation. With the Company's monthly production plan as the rigid goal, it will pressurize and forge ahead the production, and strengthen the process control to guarantee production and increase production.

In respect of smelting, scheduling the construction phases reversely starting from the first operation of **smelter** as planned, it will co-ordinate general contracting departments and construction units to go all out to catch up the progress, take resolute measures to accelerate the completion and commissioning of the project. Production debugging, trial production plan and process sorting will be done in advance. It will speed up the progress of the transformation of rare and precious metal and convert the backlog of anode mud into products for sale as soon as possible. The production organization of the copper breakage and electrolysis system will be stabilized to maximize the release of electrolysis capacity. **Yangxin Hongsheng** will continue to maintain the good momentum of standardized production, organize production smoothly according to the production capacity, and achieve the goal of increasing production and creating efficiencies. It will strengthen the management of equipment and increase the operation and maintenance of key equipment and facilities, such as boilers, sulphuric acid system, etc. It will further optimize the indicators of electrolysis system, and organize the production reasonably according to the supply of anode plate, and it will strengthen the liaison with the commerce department and grasp the market opportunities to increase the sale of its products.

In respect of the mining, Tonglvshan Mine will give top priority to the handling of the anomalies of outside groundwater and prepare for various emergency measures at any time. It will strengthen geological prospecting, further ascertain the resource capital, optimize the mining plan, and firmly guard the technical bottom line of prospecting first, mining and excavation, and mining and filling balance to ensure safe, efficient and sustainable production. It will deal with the development and mining construction of the northern edge of the -545 meters and -605 meters and ensure the balance of the third-level mining volume next year. It will vigorously promote the mode of mechanized and highly efficient mining, so as to achieve the breakthrough of the monthly footage of the single trolley by the end of the year. **Tongshankou Mine,** as the Company's pilot of "intelligent mine construction", has great responsibility. The leadership team will effectively unify determination and clarify the direction. It will take intelligent mine construction as an opportunity to set up a technical synergy platform and equipment management system by full range of innovations from the management concept, technology system, production organization and other aspects, improving the utilization rate of trackless equipment and substantially reducing the indicators of dissipation and dilution to make the mine profitable and the underground production capacity reach the design capacity by the end of the year. **Fengshan Copper Mine** will determine the comprehensive utilization plan of tailings as soon as possible to achieve sustainable and green production. In mid-August 2023, the large cavity to west of the 15th line above -272 meters must satisfy continuous mining conditions. **The Xinjiang subsidiary** will take the position of "contributing to the overall situation of the Company" and try to be as productive as possible on the basis of ensuring the task at the beginning of the year. At the same time, it will step up the implementation of the second-phase dam construction project of the tailing pond and accelerate the preparatory work for the development of replacement resources in the northern ore belt. Production and

prospecting will be further strengthened, and field construction of peripheral exploration projects will continue to be carried out. **The Mining Technology Department** will give full play to its professional and technical advantages, conduct on-site guidance at mines, and prepare the 2024 mining (stripping) technology plan with each mine to lay a solid foundation for later production achievement and production expansion.

3. **Comprehensively promoting the implementation of the “six efficiency enhancements”**. At present, it is a critical period to achieve the goal of the whole year, and all departments will make all-round efforts to comprehensively promote the implementation of the “six efficiency enhancements” measures. **First**, all mining and smelting departments will focus on the “six efficiency enhancements” goals, focus on increase in production and efficiency, scientific and technological innovation, cost control and other aspects, continue to further promote various work, and improve core profitability. **Second**, the Finance Department, as the leading department of the “six efficiency enhancements”, will strengthen process supervision, compare the work account, and accelerate the implementation of various efficiency improvement measures.

(3) **Focusing on scientific and technological innovation without slackening, going all out to grasp technological breakthroughs, and promoting the enterprise upgrading**

1. **Intelligent mine:** The pilot department Fengshan Copper Mine will effectively play a leading role in demonstration, step up the implementation of the first phase of intelligent mine construction, and carry out the second phase of project construction in a timely manner. It will optimize the layout of underground mining projects and apply intelligent mining equipment to achieve long-distance remote control and centralized control instead of on-site control, highlighting the effectiveness of intelligent mine construction. On the basis of improving the efficiency of production operations, the Tonglvshan Mine and Tongshankou Mine will conduct in-depth thinking and demonstration focusing on optimizing the layout of mechanized stope in the underground large panel, the in-depth application of trackless mechanized equipment, self-served underground fixed stations, and the construction of 5G+ multi-integrated networks, etc., laying the foundation for the next step to realize the interconnection of mine production informatization.
2. **Intelligent factory:** Yangxin Hongsheng will aim to build a smelting benchmark factory, and make every effort to supervise the construction of intelligent factory, and by the end of the year, it will achieve more than 90% of business launch rate, more than 95% of management data and business analysis model visualization, and 100% of mathematical model visualization. It will strive to truly realize the industrial intelligent application with production management and process scheduling optimization as the core through the in-depth exploring of data value next year, and realize the integration of control, production control and business decision-making.

- 3. Breakthrough in scientific and technological reward system:** In terms of mining, on the basis of the normal operation of the filling system, digital technology will be integrated to carry out the production application and solidification and improvement of the “key technology of mechanized paste-filled and efficient mining in the large panel” to verify the expected technical and economic indicators. After the completion of the breakthrough task, the utilization rate of tailings will be 100%, the production capacity of the panel will be improved, and the safe, efficient, low-cost production and green and high-quality development of the mine will be realized. **In terms of smelting,** we will step up the promotion of environmental protection upgrading of the smelting system, deal with the application of early results and process optimization and improvement under the conditions of the new system, ensure the stable production of matte in Ausmelt furnace by the end of the year, achieve automated, digitalized and standardized operations under the conditions of converter blowing operation mode, and open a single flue gas system for sulfuric acid to dispose of acid flue gas to achieve clean production and environmental protection standards.
- 4. Strengthening the construction of talent team.** We adhere to leading with guidance, promote the implementation of the “five special projects”, and continue to promote the implementation of the strategy of strengthening enterprises with talents. **On the one hand, we must continue to increase the introduction of talents.** We will actively deal with the training of new college students, formulate a three-year training plan for college students, focus on the discovery and training of young college students, and actively explore the establishment of a follow-up training mechanism for college students. We have formulated the 2024 middle and senior talent introduction and college student recruitment plan, and will start the 2024 talent recruitment work, and continuously inject new talents into the Company’s green and high-quality development. **On the other hand, it is necessary to increase the training and selection of outstanding young management personnel.** We will implement the Company’s young management personnel training plan, establish a talent pool of excellent management personnel at different levels, strengthen ability improvement, enhance practical training, smooth the selection channels, use two years to vigorously discover, select, and employ post-85s middle management and post-90s section management personnel, gradually promote the reasonable reserve of management personnel, optimize the professional age structure, change the style of management personnel, and strive to cultivate a group of high-quality and outstanding young management personnel who are worthy of important responsibilities, and provide strong talent support guarantee for the Company’s development.

FINANCIAL REVIEW

The Group's revenue increased by 17.90% to approximately RMB21,168,130,000 during the period over the same period last year of approximately RMB17,954,197,000. The increase in revenue was mainly attributable to the fact that the 400,000 tonne project of the Company was successfully put into production up to the standard and cathode copper production increased.

Gross profit for the six months ended 30 June 2023 amounted to approximately RMB830,813,000 (six months ended 30 June 2022: RMB426,771,000), representing an increase of 94.67% from the previous period. The increase in gross profit was mainly attributable to the fact that (i) the 400,000 tonne project of the Company was successfully put into production up to the standard which improved the profitability, and (ii) production at major self-owned mines was gradually resumed.

Finance costs for the six months ended 30 June 2023 amounted to approximately RMB239,414,000 (six months ended 30 June 2022: RMB151,863,000), representing an increase of 57.65% from the previous period. The increase in financial costs was attributable to the fact that the 400,000 tonne project of the Company was successfully put into production up to the standard and the increase in raw material procurement increased the scale of interest-bearing liabilities and interest expenses.

DETAILS OF MATERIAL ACQUISITION AND DISPOSAL

The Group did not make any significant investment during the period ended 30 June 2023.

PERFORMANCE AND PROSPECTS OF KEY INVESTMENT

The newly built 400,000-tonne of high-purity copper cathodes clean production project invested by the Company was put into production in a smelting furnace on 23 October 2022 and the first batch of copper cathodes was produced on 25 November 2022, which took only 33 days to go through the process of the main techniques, creating many "firsts" such as the shortest time to open the furnace, the fastest increase in production capacity load, the best year-on-year product quality, the fastest acceptance by the market and the most distinguished green development, and achieving an industrial output value of RMB1.3 billion in that year. After the project has achieved the production and standard targets, it is expected to process 1.6 million tonnes of copper concentrate, produce 0.4 million tonnes of high-purity copper cathodes and 1.5 million tonnes of sulfuric acid in a year, realizing an annual production value of RMB30 billion and profits and taxes of RMB1.5 billion. Meanwhile, the existing outdated smelting system was upgraded and transformed to further upgrade the equipment, improve operation efficiency, improve the operating environment and reduce production costs, laying a solid foundation for the Company's green and high-quality development. In the future, the Company will continue to adhere to the strategy of developing mines and strengthening smelting, actively develop non-ferrous metal mineral resources, and accelerate the construction of smart mines and factories.

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 2023, the Group's receipts and payments were mainly denominated in RMB.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had pledged bank deposits, and cash and bank balances of approximately RMB881,590,000 (31 December 2022: RMB844,040,000), of which the majority were denominated in Renminbi, with a current ratio of 1.14 (31 December 2022: 1.02), based on the current assets of approximately RMB13,463,542,000 (31 December 2022: RMB12,242,067,000) divided by current liabilities of approximately RMB11,790,333,000 (31 December 2022: RMB11,948,176,000). The Group's gearing ratio was 466.92% (31 December 2022: 395.17%) 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 RMB14,554,473,000 (31 December 2022: RMB12,238,833,000) divided by equity attributable to owners of the Company of approximately RMB3,117,103,000 (31 December 2022: RMB3,097,093,000). The increase in gearing ratio was mainly due to the increase in net debts.

BORROWINGS

As at 30 June 2023, the Group's total debts (which comprised non-current and current bank and other borrowings and promissory note) amounted to approximately RMB15,303,967,000 (2022: RMB12,948,226,000).

As at 30 June 2023, the Group had bank and other borrowings of approximately RMB8,031,226,000 (31 December 2022: RMB6,695,567,000) and approximately RMB6,113,541,000 (31 December 2022: RMB5,114,459,000) 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 2023, the Group had a total of 5,598 employees (30 June 2022: 5,269). The Group's total staff costs for the six months ended 30 June 2023 was approximately RMB344,246,000 (six months ended 30 June 2022: RMB364,961,000). 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 2023.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no contingent liabilities.

CHARGES ON ASSETS

As at 30 June 2023, other deposits which amounted to approximately RMB904,509,000 (31 December 2022: RMB687,156,000) 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 RMB24,000,000 (31 December 2022: RMB24,000,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 2023 (six months ended 30 June 2022: Nil).

EQUITY

As at 30 June 2023, 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 RMB727,893,000.

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, Ms. Liu Fang, 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 2023.

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 2023 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 2023.

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 throughout the six months ended 30 June 2023.

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 2023 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 2023

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Xiao Shuxin, Mr. Long Zhong Sheng, Mr. Zhang Guangming, Mr. Chen Zhimiao and Mr. Zhang Jinzhong; and three independent non-executive Directors, namely Mr. Wang Qihong, Ms. Liu Fang and Mr. Liu Jishun.