



Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 3833



Interim Report

20
23



We See The Future

*For identification purpose only

CONTENTS

2	Corporate Information
3	Company Results
4	Resources and Reserves
5	Management Discussion and Analysis
12	Directors' Interest
14	Share Capital and Dividends
15	Employees and Welfare
16	Corporate Governance
17	Consolidated and Company Balance Sheets (Unaudited)
19	Consolidated and Company Income Statements (Unaudited)
21	Consolidated and Company Cash Flow Statements (Unaudited)
23	Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
24	Company Statement of Changes in Shareholders' Equity (Unaudited)
25	Notes to Financial Statements (Unaudited)
164	Supplemental Notes to Financial Statements (Unaudited)

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Qi Xinhui
Yu Wenjiang

NON-EXECUTIVE DIRECTORS

Guo Quan (*Chairman*)
Zhou Chuanyou (*Vice chairman*)
Hu Chengye
Wang Lijian

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Benyuan
Wang Qingming
Lee Tao Wai

SUPERVISORS

Yao Wenyong (*Chairman*)
Shi Keli
Shan Zhengzhong
Zhong Rubiao
Meng Guojun

AUDIT COMMITTEE

Hu Benyuan (*Chairman*)
Hu Chengye
Lee Tao Wai

REMUNERATION AND REVIEW COMMITTEE

Hu Benyuan (*Chairman*)
Zhou Chuanyou
Guo Quan
Wang Qingming
Lee Tao Wai

NOMINATION COMMITTEE

Guo Quan (*Chairman*)
Hu Benyuan
Lee Tao Wai

STRATEGY AND SUSTAINABLE DEVELOPMENT (ESG) COMMITTEE

Guo Quan (*Chairman*)
Qi Xinhui
Zhou Chuanyou
Wang Lijian
Wang Qingming

COMPANY SECRETARIES

Lam Cheuk Fai *FCPA*
Li Zhenzhen

AUTHORISED REPRESENTATIVES

Qi Xinhui
Lam Cheuk Fai
Lee Tao Wai (*Alternate*)

REGISTERED OFFICE IN HONG KONG

9/F The Center
99 Queen's Road Central
Central, Hong Kong

STATUTORY ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.501, Fusion South Road, Cooperation Zone,
Economic and Technological Development Zone,
Urumqi, Xinjiang

LEGAL ADVISERS

Eversheds Sutherland (Hong Kong law)
Beijing Grandway Law Offices (PRC law)

AUDITORS

International and PRC auditors
ShineWing Certified Public Accountants LLP

H SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17 Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

COMPANY WEBSITE

kunlun.wsfh.hk

STOCK CODE

3833

COMPANY RESULTS

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”) for the six months ended 30 June 2023 (the “Period”), together with the unaudited consolidated operating results for the six months ended 30 June 2022 (“First Half of 2022” or the “Same Period Last Year”) for comparison. Such operating results have been reviewed and confirmed by the Company’s audit committee (the “Audit Committee”).

During the Period, the Group recorded consolidated revenue amounting to RMB763.7 million, representing a significant decrease of 56.1% as compared to RMB1,740.8 million in the Same Period Last Year; and net profit attributable to shareholders of the Company amounted to RMB170.4 million, representing a significant decrease of 72.0% as compared to RMB609.6 million in the Same Period Last Year.

The Board believes that the significant decrease in operating results of the Group for the Period as compared to the Same Period Last Year was mainly due to (1) the sales volume of nickel cathode of approximately 3,236 tonnes during the Period, representing a decrease of approximately 59.9% as compared to approximately 8,075 tonnes in the Same Period Last Year, and (2) the sales volume of copper cathode of approximately 1,452 tonnes during the Period, representing a decrease of approximately 71.0% as compared to approximately 5,014 tonnes in the Same Period Last Year.

During the Period, the sales volume of the Group’s main products decreased due to the introduction of the National Assistance Guidance on Production Safety (as defined hereinafter), which led to the reduction in production volume.

In order to enhance production safety and to improve the level of safety at the mines in Xinjiang Uygur Autonomous Region, upon the approval of the Work Safety Committee of the State Council, the Office of the Work Safety Committee of the State Council dispatched a National Mine Safety Assistance and Guidance Working Group to provide assistance and guidance on mine safety in Xinjiang Uygur Autonomous Region. Since February 2023, the Ministry of Emergency Management and the State Administration of Mine Safety have organized relevant departments, scientific research institutes and production safety experts from mining enterprises to provide assistance and guidance on production safety at the mines in Xinjiang Uygur Autonomous Region (the “**National Assistance Guidance on Production Safety**”, or the “**Assistance Guidance**”), during which the normal production of the Group had been affected.

At present, the Assistance Guidance has been completed and its impact on the Group’s production has been eliminated. All units of the Group have gradually resumed production since April to June 2023, and the Group is stepping up its production efforts with an aim to achieve the planned annual production capacity of 2023 (i.e., 8,500 tonnes of nickel cathode and 6,829 tonnes of copper cathode) within the year of 2023.

Basic earnings per share attributable to shareholders of the Company amounted to RMB0.077 during the Period, representing a decrease of RMB0.199 per share as compared to RMB0.276 per share for the Same Period Last Year.

The Board does not recommend any payment of interim dividend for 2023.

Please refer to the unaudited consolidated interim financial statements for details of the consolidated operating results.

RESOURCES AND RESERVES

As at 30 June 2023, the resources and reserves estimates for the four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan, which are wholly-owned by the Company, are set out in the following tables:

	Ore contents	Grade		Metal contents	
	Tonnes	Cu %	Ni %	Cu Tonnes	Ni Tonnes
Resources as at 30 June 2023					
Kalatongke nickel-copper mine	28,314,802	0.99	0.58	280,400	163,033
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	64,562,340	0.29	0.46	186,722	296,893
Total	92,877,142			467,122	459,926
Reserves as at 30 June 2023					
Kalatongke nickel-copper mine	18,129,576	1.04	0.64	189,250	116,772
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	26,219,951	0.31	0.50	81,853	130,739
Total	44,349,527			271,103	247,511

Note: The resources and reserves estimates for the deposits of Kalatongke nickel-copper mine were based on the 2007 estimates in the independent technical review report as shown in the Company's Prospectus dated 27 September 2007, of which the reserves exclude nickel-copper mines in No. 3 mineral deposit upgraded above the control grade. The resources and reserves estimates for the deposits at three nickel-copper mines in Huangshandong, Huangshan and Xiangshan mines were based on the 2008 estimates of resources and reserves as approved for record by the Department of Land and Resources of the PRC, of which the reserves exclude the available low-grade nickel-copper mines. The increases in mining consumption and exploration during the Period were confirmed by internal experts.

As at 30 June 2023, the resources estimates for the two vanadium mines in Xianghe Street and Mujia River are set out in the following table:

	Ore contents	Grade	Contents
	Tonnes	V ₂ O ₅ %	V ₂ O ₅ Tonnes
Resources as at 30 June 2023			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	16,410,100	0.89	146,015
Total	26,569,500		242,315

Note: The resources estimates for the deposits at two vanadium mines in Xianghe Street and Mujia River were based on the 2012 estimates of resources as approved for record by the Land and Resources Bureau of Shaanxi Province. In 2020, according to the Mineral Resources Exploration License Notification issued by the Department of Natural Resources of Shaanxi Province (Shaanxi Ziran Zikuang Kanzi [2021] 045), the resources of the Mujia River Vanadium Exploration Rights and Mining Rights (retained) were estimated and identified by internal experts. The exploration rights certificates of Xianghe Street vanadium mine expired on 31 December 2022. The exploration rights certificate of the Mujia River vanadium mine expired on 3 February 2023. The Group is still in the process of applying for the extension of the validity period of the Xianghe Street and the Mujia River vanadium mine exploration rights certificates, and the relevant procedures have not been approved as of the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

During the Period, the average three-month future price of nickel cathode quoted on the London Metal Exchange was US\$24,045 per tonne, representing a decrease of 13.7% as compared to US\$27,867 per tonne for the Same Period Last Year; the average three-month future price of copper cathode was US\$9,065 per tonne, representing a decrease of 7.0% as compared to US\$9,742 per tonne for the Same Period Last Year.

During the Period, the average settlement price (tax inclusive) of nickel cathode quoted on the Shanghai Futures Exchange was RMB190,084 per tonne, representing a decrease of 4.7% as compared to RMB199,539 per tonne for the Same Period Last Year; the average spot price (tax inclusive) of nickel cathode in Shanghai Yangtze River Nonferrous Metals Spot Market was RMB194,095 per tonne, representing a decrease of 4.7% as compared to RMB203,565 per tonne for the Same Period Last Year. The average spot price (tax inclusive) of copper cathode was RMB68,077 per tonne, representing a decrease of 5.3% as compared to RMB71,920 per tonne for the Same Period Last Year.

During the Period, the domestic price trends of nickel cathode and copper cathode were basically in line with the international market.

BUSINESS REVIEW

During the Period, the Group recorded revenue amounting to RMB763.7 million, representing a significant decrease of 56.1% as compared to RMB1,740.8 million in the Same Period Last Year; net profit amounted to RMB170.3 million, representing a significant decrease of 72.1% as compared to RMB609.7 million in the Same Period Last Year, and of which net profit attributable to shareholders of the Company amounted to RMB170.4 million, representing a significant decrease of 72.0% as compared to RMB609.6 million in the Same Period Last Year.

The significant decrease in the Group's operating results was mainly due to the significant decreases in the sales volume of nickel cathode and copper cathode by 59.9% and 71.0%, respectively, during the Period, as compared to the Same Period Last Year.

During the Period, due to the impact of the Assistance Guidance, the Group produced 1,528 tonnes of nickel cathode, representing a decrease of 76.0% as compared with 6,369 tonnes for the Same Period Last Year, and produced 917 tonnes of copper cathode, representing a decrease of 80.4% as compared with 4,669 tonnes for the Same Period Last Year.

During the Period, the Group sold 3,236 tonnes of nickel cathode, representing a decrease of 59.9% as compared with 8,075 tonnes for the Same Period Last Year, and sold 1,452 tonnes of copper cathode, representing a decrease of 71.0% as compared with 5,014 tonnes for the Same Period Last Year.

During the Period, the average selling price of nickel cathode of the Group (tax exclusive) was RMB176,697 per tonne, representing an increase of 10.1% as compared with RMB160,506 per tonne for the Same Period Last Year, while the average selling price of copper cathode (tax exclusive) was RMB60,872 per tonne, representing a decrease of 4.7% as compared with RMB63,887 per tonne for the Same Period Last Year.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND COUNTERMEASURES

As the production capacity of the Group was significantly reduced during the period due to the impact of the Assistance Guidance, in the second half of 2023, the Group is stepping up its production effort, aiming to complete the 2023 annual production capacity plan within 2023, with a planned production of 6,972 tonnes of nickel cathode and 5,912 tonnes of copper cathode. The Board would like to emphasize that due to the uncertainties in metal prices, the domestic raw materials market and the production environment, the above plan is made solely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of the situation.

In the second half of 2023, the Group will enhance the analysis and research on the price trends of nickel cathode and copper cathode in both international and domestic markets, and adopt more flexible and proactive marketing strategies based on its actual circumstances and financial strength, thereby promoting sales with higher prices. In the meantime, the Group will remain committed to upgrading the major production process, so as to adapt to the optimization of domestic economic structure, changes in development patterns and the requirements of the State and Xinjiang government regarding the improvement of standards of work safety and environmental protection. On the basis of such initiatives, the Group will further develop its internal potential for more output and income and strictly control non-operating expenses, so as to further reduce production costs and expenditures and continuously enhance economic benefits, management level and overall operation efficiency of the Group.

MINERAL EXPLORATION, MINE DEVELOPMENT AND ORE MINING ACTIVITIES

Mineral exploration

During the Period, Xinjiang Kalatongke Mining Industry Company Limited (“Kalatongke Mining”), a wholly-owned subsidiary of the Company, mainly completed mineral exploration projects such as 1 hole of surface drilling, 900.0 meters of surface drilling, 33 holes of drilling in pit, 5,671.5 meters of drilling in pit, with average depth of 171.9 meters, and 138 points of controlled source audio-frequency magnetotelluric (CSAMT). Xinjiang Yakesi Resources Co. Ltd. (“Xinjiang Yakesi”) and Hami Jubao Resources Co. Ltd. (“Hami Jubao”) mainly completed mineral exploration projects such as 4 holes of surface drilling, 4,258.3 meters of surface drilling, with average depth of 1,064.6 meters, 2 holes of drilling in pit, 550.5 meters of drilling in pit, with average depth of 275.3 meters, 8.1 kilometers of spectral induced polarization (SIP) measurement, and 104 points of 3D induced polarization measurement. During the Period, the aggregate expenditure on the mineral exploration of the Group was approximately RMB2.8 million.

Mine development

During the Period, Kalatongke Mining mainly completed mining development projects, such as construction of 186.9 meters of horizontal haulageway, 70.1 meters of filling connecting road and construction of 21.6 meters of ramp at 530 mid-segment to 883 mid-segment of No. 1 ore body, construction of 383.9 meters of horizontal haulageway and construction of 18.1 meters of ramp at 279 mid-segment to 590 mid-segment of No. 2 ore body. Xinjiang Yakesi and Hami Jubao mainly completed mining development projects, such as construction of 219.9 meters of horizontal haulageway, construction of 49.4 meters of refuge chamber, construction of 1,170.5 meters of routes for drilling routing and construction of 72.1 meters of ramp at 150 mid-segment to 390 mid-segment of Huangshan No. 30 ore body.

During the Period, the aggregate expenditure on the mine development of the Group was approximately RMB8.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Ore mining

During the Period, Kalatongke Mining produced 196,563 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 221,485 tonnes of ores. During the Period, the aggregate expenditure on the ore mining of the Group was approximately RMB91.4 million.

FINANCIAL REVIEW AND ANALYSIS

Revenue and gross profit

The following table illustrates the details of sales by products of the Group for the Period and the Same Period Last Year:

Product Name	For the 6 months ended 30 June 2023			For the 6 months ended 30 June 2022		
	Sales Volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to Revenue
Nickel cathode	3,236	592,301	79.1%	8,075	1,296,136	75.4%
Copper cathode	1,452	88,402	11.8%	5,014	320,340	18.6%
Copper concentrate	3,564	43,919	5.9%	3,767	43,138	2.5%
Other products		24,448	3.2%		58,620	3.5%
Total revenue		749,070	100%		1,718,234	100%
Cost of sales		384,267	51.3%		927,983	54.0%
Gross profit		364,803	48.7%		790,251	46.0%

During the Period, the revenue of nickel cathode of the Group decreased by 54.3% to RMB592 million as compared with that of the Same Period Last Year. The average selling price of nickel cathode during the Period was RMB176,697 per tonne, representing an increase of 10.1% as compared with that of the Same Period Last Year. The sales volume of nickel cathode during the Period was 3,236 tonnes, representing a decrease of 59.9% as compared with that of the Same Period Last Year. The decrease in revenue of nickel cathode was mainly attributable to the significant decrease in the sales volume of nickel cathode for the Period as compared with that of the Same Period Last Year as a result of the Assistance Guidance.

During the Period, the revenue of copper cathode of the Group decreased by 72.4% to RMB88 million as compared with that of the Same Period Last Year. The average selling price of copper cathode during the Period decreased by 4.7% to RMB60,872 per tonne as compared with that of the Same Period Last Year. The sales volume of copper cathode of the Group during the Period decreased by 71.0% to 1,452 tonnes as compared with that of the Same Period Last Year. The decrease in revenue of copper cathode was due to the decrease in market price and sales volume of copper cathode as compared with that of the Same Period Last Year, of which the latter was a result of the Assistance Guidance.

During the Period, the revenue of copper concentrates of the Group increased by 1.8% to RMB43.9 million as compared with that of the Same Period Last Year. The average selling price of copper concentrates during the Period increased by 7.6% to RMB12,322 per tonne as compared with that of the Same Period Last Year. The sales volume of copper concentrates of the Group during the Period decreased by 5.4% to 3,564 tonnes as compared with that of the Same Period Last Year. The increase in revenue of copper concentrates was due to the increase in selling price of copper concentrates for the Period as compared with that of the Same Period Last Year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the revenue of other products of the Group decreased by 58.3% to RMB24.4 million (including RMB6.3 million for sulfuric acid, RMB8.7 million for gold and RMB9.4 million for silver) as compared with that of the Same Period Last Year. The revenue of other products decreased as during the Period, there were no sales of electrolytic cobalt and the sales volumes of sulfuric acid decreased as compared with that of the Same Period Last Year.

During the Period, the unit cost of sales of nickel cathode of the Group increased by 4.0% to RMB79,589 per tonne as compared with that of the Same Period Last Year; the unit cost of sales of copper cathode increased by 7.6% to RMB46,794 per tonne as compared with that of the Same Period Last Year.

During the Period, the Group recorded gross profit of RMB365 million while the Group recorded gross profit of RMB790 million in the Same Period Last Year. The decrease in gross profit of the Group was mainly due to the decreases in sales volume of nickel cathode and copper cathode during the Period as compared with that of the Same Period Last Year.

Sales and marketing costs

During the Period, sales and marketing costs of the Group were RMB4 million, representing a decrease of 42.9% as compared with that of the Same Period Last Year, which was mainly due to the decreases in sales volume of nickel cathode and copper cathode during the Period as compared with that of the Same Period Last Year.

Administrative expenses

During the Period, the administrative expense of the Group was RMB70 million, which remained unchanged as compared with that of the Same Period Last Year.

Research and development expenses

During the Period, the Group's research and development expenses decreased by 79.4% to RMB13 million as compared with that of the Same Period Last Year, mainly because the experiments of research and development projects, which were carried out in the course of normal production, was suspended during the Period due to the impact of servicing and suspension of production.

Finance expenses – net

Net finance expenses of the Group for the Period decreased to RMB22 million as compared with that of the Same Period Last Year of RMB26 million, mainly due to the Company's timely adjustment of loan interest rate according to the changes in market interest rates.

Investment loss

Investment loss of the Group for the Period was RMB16 million while investment gain was RMB62 million for the Same Period Last Year. The decrease in investment income of the Group for the Period as compared with that of the Same Period Last Year was mainly due to (1) the significant decrease in investment income from net profit of joint venture recognized by the Group as compared with that of the Same Period Last Year, and (2) the calculation of unrealized internal profit at the consolidation level as a result of the significant increase of the stock of nickel powder purchased from Hexin Mining caused by the suspension of smelting due to the renovation of smelting lean electric furnace of Kalatongke Mining.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial position

The consolidated balance sheet of the Group remains strong. As at 30 June 2023, owners' equity decreased by 2.8% to RMB5,530 million as compared with that as of 31 December 2022, mainly due to the dividend distribution during the Period. As at 30 June 2023, total assets increased by 1.4% to RMB7,938 million as compared with that as of 31 December 2022.

During the Period, the Group's net cash inflows generated from operating activities was RMB72.4 million. As compared to the net cash inflow of RMB624.8 million in the Same Period Last Year, there was a decrease in the inflow of RMB552.4 million, primarily due to the significant decrease in the sales volume of the Group's main products, nickel cathode and copper cathode, as compared with the Same Period Last Year, resulting in decreased sales revenue during the Period. The net cash outflow used in investment activities were RMB4.0 million, which were mainly attributable to the Group's acquisition of fixed assets and long-term assets during the Period. The net cash inflow generated from financing activities amounted to RMB18.8 million, which were mainly attributable to the loans obtained by and the cash received by the Group during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had total cash and cash equivalents amounting to RMB708.7 million (31 December 2022: RMB621.5 million), and the total borrowings of the Group amounted to RMB1,037.8 million (31 December 2022: RMB996.5 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB329.1 million (31 December 2022: RMB375 million) and the gearing ratio (net debts divided by total capital*) was 5.6% (31 December 2022: 6.18%).

	As at 30 June 2023	As at 31 December 2022
Current Ratio (<i>Times</i>)	1.9	2.2
Gearing Ratio (<i>net debts/total capital*</i>)	5.6%	6.18%

* Total capital: net debts + owners' equity

As at 30 June 2023, the aggregate amount of borrowings of the Group was RMB1,037.8 million, of which, the loans for working capital by the Company was RMB397.8 million, the loans for working capital by Xinjiang Yakesi was RMB440 million, the loans for working capital by Kalatongke Mining was RMB200 million.

As at 30 June 2023, the Group's interest-bearing borrowings amounted to RMB1,037.8 million (31 December 2022: RMB996.5 million), including floating rate borrowings amounting to RMB937.8 million (31 December 2022: RMB899.5 million) and fixed rate borrowings amounting to RMB100.0 million (31 December 2022: RMB97.0 million).

COMMODITY PRICE RISK

The prices of the Group's products are impacted by prices of the international and domestic markets and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and the PRC economic cycle as well as the fluctuations in the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the revenue and the consolidated income of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK OF FLUCTUATIONS IN EXCHANGE RATE

The transactions of the Group are all denominated in Renminbi. Fluctuations in currency exchange rates may affect the international and domestic non-ferrous metal commodity prices, which may impact the Group's operating results. Renminbi is not a freely convertible currency and the conversion of Renminbi to a basket of currencies may involve fluctuations. In light of further actions and measures that may be adopted for free transactions of Renminbi by the PRC government, fluctuations in exchange rates may adversely affect the Group's translation or conversion of net assets, earnings and any dividends declared by the Group into Hong Kong dollars.

ENVIRONMENTAL RISK

The Chinese economy has shifted from a fast-growing phase to a high-quality development phase where emphasis is placed on the optimisation of economic structure and transformation of development patterns. The government's environmental protection supervision will increase the volatility of the output by the enterprises to some extent. The Group will endeavour to upgrade our major production processes to cater for the optimization of domestic economic structure, changes in development patterns and the requirements of the State and Xinjiang government for production safety and improvement of environmental protection standards.

INTEREST RATE RISK

The Group's interest rate risk mainly arises from bank loans and interest-bearing long-term borrowings. Bank deposits and loans at floating rate expose the Group to cash flow interest rate risk, while fixed rate interest-bearing financial liabilities of the Group are subject to the risk of the fair value of interest. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 30 June 2023, the Group's interest-bearing debts were mainly floating rate and fix rate borrowings contracts, which totaled RMB1,037.8 million (31 December 2022: RMB996.5 million). The Group has no interest rate swap arrangement.

PURCHASE, DISPOSAL OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period.

CHARGE ON ASSETS

As at 30 June 2023, a restricted bank deposit of RMB5.3 million out of the cash at bank and on hand of the Group was set aside as the security for issuing bank acceptance notes and other purposes. Save as disclosed above, as at 30 June 2023, there were no charges or pledges of assets in the Group.

CONTINGENT LIABILITIES

Save as disclosed in Notes 7 and 8(5)(h) to the unaudited consolidated interim financial statements of the Group, the Group had no other significant contingent liabilities as at 30 June 2023.

MAJOR ACQUISITIONS AND DISPOSAL

The Group had no major acquisition or disposal during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

Reference is made to the announcements of the Company dated 31 May 2023 and 3 August 2023 in relation to, among others, the retirement and appointment of auditor of the Company, respectively. With the recommendation of the Audit Committee, the Board has resolved to appoint ShineWing Certified Public Accountants LLP* (信永中和會計師事務所(特殊普通合伙)) as the new auditor of the Company with effect from 3 August 2023 to fill the casual vacancy of auditor of the Company and to hold office until the conclusion of the next general meeting of the Company.

Save for the abovementioned, as at the date of this report, the Group did not have any significant event after balance sheet date.

HISTORICAL CAPITAL EXPENDITURE

Capital expenditure was primarily used to expand the production capacities of the Group and to improve the mining, ore processing, smelting and refining technology of the Group. The following table sets out the particulars of the Group's capital expenditure as well as the ratio of the capital expenditure of each operation over total capital expenditure based on various categories of operations for the Period:

	Six months ended 30 June 2023	
	RMB'000	% to Total
Mining, ore processing and smelting and complementary operations in Kalatongke Mining	77,988	63.1%
Refining and complementary operations in Fukang Refinery	21,823	17.7%
Mining and ore processing operations in Xinjiang Yakesi	23,815	19.3%
Total	123,626	100%

FUTURE PLANS OF THE GROUP FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

Kalatongke Mining will further enhance subsequent construction of mining expansion projects, ore processing renovation project and technological renovation and capacity expansion project for environmental protection, and plans to invest approximately RMB87.5 million.

Fukang Refinery will further enhance its technological renovation, expansion and environmental protection projects for the auxiliary facilities of the refining capacity of nickel cathode and copper cathode, and plans to invest approximately RMB43 million.

Xinjiang Yakesi and Hami Jubao will further improve the mining and processing projects, and plans to invest approximately RMB59.7 million.

The capital expenditure of the Group for the exploration projects is planned to be approximately RMB14.1million.

The capital expenditure of the Group for the acquisition of fixed assets is planned to be approximately RMB27.9 million.

The sources of fund for the plans mentioned above will be contributed by internal working capital of the Group.

Save for the plans as disclosed above, the Group had no other plans for material investments or acquisition of capital assets as at 30 June 2023.

COMMITMENTS

Commitments of the Group as at 30 June 2023 are disclosed in Note 10 to the unaudited consolidated interim financial statements.

DIRECTORS' INTEREST

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACT

As at 30 June 2023, none of the directors or supervisors of the Company had any material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or any of its fellow subsidiaries was a party during the Period.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUPERVISORS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and/or short positions, if any, of the directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO (Cap. 571 of the Laws of Hong Kong) ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Director/ Supervisor	Number of Shares held			Classes of share	Percentage of aggregate interests to relevant class of share	Percentage of aggregate interests to the total share
	Personal interest	Corporate interests	Total interests			
Zhou Chuanyou		480,924,000	345,924,000	Domestic share (Note 1)	33.14	21.76
			135,000,000	H share (Note 2)	27.47	6.11

Note 1: The domestic shares are held by Shanghai Yilian Kuangneng Co. Ltd. ("Shanghai Yilian") and Zhongjin Investment (Group) Ltd. ("Zhongjin Investment"). The entire shareholding or equity interest of Shanghai Yilian and Zhongjin Investment are beneficially owned by Zhou Chuanyou.

Note 2: The H shares are held by Zhongjin Investment.

Save as disclosed above, none of the directors and supervisors of the Company or their respective associates had, as at 30 June 2023, any interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST

STOCK APPRECIATION RIGHTS INCENTIVE PLAN

According to the “Xinxin Xinxin Mining Co., Ltd. 2021 H Share Appreciation Rights Incentive Plan” (the “Incentive Plan”) as approved by the general meeting of shareholders of the Company held on 29 October 2021, the Company will provide 150 Xinjiang Xinxin Middle and Senior Management Personnel (including certain directors and supervisors of the Company) and other identified core key personnel (“incentive objects”) implement the stock appreciation rights incentive plan, and a total of 63,500,000 stock appreciation rights are granted to the incentive objects. The exercise price of the stock appreciation right is RMB1.58 per share, and the incentive object can exercise the right in next 36 months after 24 months of service from the grant date (29 October, 2021), with 33%, 33%, 34% of the awards unlocking upon meeting certain performance condition. The stock appreciation rights are valid for 5 years from 29 October, 2021.

The exercise price of the stock appreciation rights issued at the end of the period was RMB1.58. As of 30 June, 2023, the remaining term of the stock appreciation rights contract is 3 years and 4 months until 29 October, 2026.

There were no share appreciation rights under the Incentive Plan exercised during the Period.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, during the Period, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company was granted to any directors or supervisors of the Company or their respective spouses or minor children, or no any such rights was exercised by them; and none of the Company, its holding company, its subsidiary or any of its fellow subsidiaries was a party to any arrangement to enable the directors or supervisors of the Company to acquire such rights in any other body corporate.

SHARE CAPITAL AND DIVIDENDS

SHARE CAPITAL

The Company's share capital as at 30 June 2023 is as follows:

	Number of shares issued	% of capital	Nominal value RMB'000
Registered, issued and fully paid			
Domestic shares of RMB0.25 each	1,259,420,000	56.99%	314,855
H shares of RMB0.25 each	950,580,000	43.01%	237,645
	2,210,000,000	100.00%	552,500

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

So far as was known to any director or supervisor, as at 30 June 2023, the persons or companies (other than a director or supervisor of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more than the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Class of share	Approximate percentage of shareholding on relevant class of shares (%)	Approximate percentage of the total share capital (%)
Xinjiang Non-ferrous Metal Industry (Group) Ltd* (新疆有色金屬工業(集團)有限公司)	885,204,000 (L)	Domestic share	70.29	40.06
Shanghai Yilian (Note 1)	282,896,000 (L)	Domestic share	22.46	12.80
Zhongjin Investment (Note 1)	63,028,000 (L)	Domestic share	5.00	2.85
Zijin Mining Group Company Limited* (紫金礦業集團股份有限公司) ("Zijin Mining")	59,444,000 (L)	H Share (Note 2)	6.25	2.69
Zijin Mining Group (Xiamen) Investment Co., Ltd* (紫金礦業集團(廈門)投資有限公司) ("Zijin Mining (Xiamen)")	56,580,000 (L)	H Share	5.95	2.56

(L) : Long positions

Note 1: The entire shareholding or equity interests of Shanghai Yilian and Zhongjin Investment are beneficially owned by Mr. Zhou Chuanyou.

Note 2: The H shares are held by Zijin Mining (Xiamen) and Gold Mountains (H.K.) International Mining Company Limited (金山(香港)國際礦業有限公司). The entire shareholding or equity interests of Zijin Mining (Xiamen) and Gold Mountains (H.K.) International Mining Company Limited are beneficially owned by Zijin Mining.

Save as disclosed above, the directors of the Company were not aware of any other person (other than a director or supervisor of the Company) who had interests and/or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIVIDENDS

The Board does not recommend any payment of interim dividend for 2023 (Nil for 2022).

EMPLOYEES AND WELFARE

As at 30 June 2023, the Group had a total of 1,905 employees. Breakdowns by functions and divisions are as follows:

Division	No. of Employees	% to Total
Management and administration	154	8.08%
Engineering technician	167	8.77%
Production staff	1,253	65.77%
Repair and maintenance	241	12.65%
Inspection	79	4.15%
Sales	11	0.58%
Total	1,905	100%

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident funds. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, unemployment insurance and housing provident funds which the Group must contribute are 16%, 6% to 9%, 0.5% and 12%, respectively, of its employees' total monthly basic salary. The Group also contributes 1.05% to 2.85% of its employees' total monthly basic salary for occupational injury insurance and 0.5% to 0.8% of their total monthly basic salary for maternity cover.

CORPORATE GOVERNANCE

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company strives to attain and maintain relatively high standards of corporate governance best suited to the needs and interests of the Company and its subsidiaries as it believes that effective corporate governance practices are fundamental to safeguard the interests of shareholders and other stakeholders and enhance the shareholder value.

The Company has fully complied with all code provisions prescribed in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules throughout the Period.

BOARD OF DIRECTORS

The Board currently consists of nine directors, including two executive directors, four non-executive directors and three independent non-executive directors. During the Period, the Board convened four meetings (with an attendance rate of 100%).

SUPERVISORY COMMITTEE

The Company has a supervisory committee comprising five supervisors to exercise supervision over the Board and its members and the senior management, preventing them from abusing their authorities and jeopardizing the legal interests of the Company, its shareholders and its employees. The supervisory committee convened one meeting during the Period (with an attendance rate of 80%).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company had adopted the Model Code as its code of conduct regarding securities transactions by the directors, supervisors and senior management of the Company. Upon specific enquiries made of all the directors, supervisors and senior management of the Company, all the directors, supervisors and senior management of the Company have complied with the required standards as set out in the Model Code during the Period.

AUDIT COMMITTEE

Written terms of reference of the Audit Committee was prepared primarily based on “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board. The Audit Committee provides an important link between the Board and the Group’s auditors in matters falling within the scope of the audit of the Group. The Audit Committee reviews the effectiveness of the external audit and of internal controls, evaluates risks and provides comments and advice to the Board. The Audit Committee comprises one non-executive director, namely, Mr. Hu Chengye and two independent non-executive directors, namely, Mr. Hu Benyuan and Mr. Lee Tao Wai, with Mr. Hu Benyuan serving as the Chairman. The Audit Committee has reviewed the unaudited financial results and the interim report of the Group for the Period and considered that they are in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure in this report.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Guo Quan
Chairman

Xinjiang, the PRC, 25 August 2023

CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Notes	30 June 2023 Consolidated	31 December 2022 Consolidated	30 June 2023 Company	31 December 2022 Company
Current assets					
Cash at bank and on hand	4(1), 16(1)	713,951,589.10	626,511,913.04	648,900,475.54	596,517,281.56
Financial assets held for trading	4(2), 16(2)	11,000,000.00	11,000,000.00		
Notes receivable	4(3), 16(3)	36,800,000.00	29,410,000.00	6,000,000.00	5,010,000.00
Accounts receivable	4(4), 16(4)	33,484,919.16	26,910,930.55	29,322,332.54	21,063,907.15
Financing receivable	4(5), 16(5)	61,199,199.42	145,854,590.43	25,966,336.50	90,284,966.84
Advances to suppliers	4(6), 16(6)	41,928,038.46	30,764,439.86	665,236,325.21	200,037,818.20
Other receivables	4(7), 16(7)	16,225,589.07	16,978,146.32	82,117,059.87	210,399,208.85
Inventories	4(8), 16(8)	1,455,920,422.97	1,315,468,786.86	954,410,610.31	1,262,664,408.73
Other current assets	4(9), 16(9)	59,091,728.63	19,708,833.81	9,541,947.52	252,749.58
Total current assets		2,429,601,486.81	2,222,607,640.87	2,421,495,087.49	2,386,230,340.91
Non-current assets					
Long-term receivables	16(10)			721,550,000.00	813,250,000.00
Long-term equity investments	4(10), 16(11)	202,576,217.03	229,602,883.20	2,532,194,527.16	2,497,419,063.88
Investment property	4(11)	213,999,127.06	216,392,115.88		
Fixed assets	4(12), 16(13)	3,468,029,441.92	3,565,054,512.75	477,499,461.05	502,063,069.13
Construction in progress	4(13)	390,380,200.26	320,657,440.47	61,942,395.51	42,975,812.11
Right-of-use assets	4(14), 16(12)	6,246,086.21	7,336,176.11	1,659,089.75	2,212,119.65
Intangible assets	4(15), 16(14)	1,101,797,827.42	1,124,187,828.85	39,832,304.75	40,420,445.23
Development cost	4(15)	17,634,153.30	18,634,153.30	2,267,752.87	3,267,752.87
Goodwill	4(16)	9,987,911.01	9,987,911.01		
Long-term prepaid expenses	4(19)	2,326,048.65	2,276,733.24	1,800,720.05	1,634,664.98
Deferred tax assets	4(32), 16(15)	83,471,048.51	99,564,511.04	44,976,191.40	46,093,784.93
Other non-current assets	4(17)	11,807,410.00	13,158,240.14		
Total non-current assets		5,508,255,471.37	5,606,852,505.99	3,883,722,442.54	3,949,336,712.78
TOTAL ASSETS		7,937,856,958.18	7,829,460,146.86	6,305,217,530.03	6,335,567,053.69

CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Notes	30 June 2023 Consolidated	31 December 2022 Consolidated	30 June 2023 Company	31 December 2022 Company
Current liabilities					
Short-term borrowings	4(27) (b)	500,000,000.00	450,000,000.00		
Accounts payable	4(21), 16(18)	215,881,048.74	272,437,887.10	48,595,894.95	93,656,247.55
Contract liabilities	4(22), 16(19)	18,008,378.87	16,234,115.54	3,066,692.70	9,363,402.14
Employee benefits payable	4(23), 16(20)	86,875,871.33	109,640,247.58	43,539,189.21	51,939,793.17
Taxes payable	4(24), 16(21)	3,164,357.39	21,295,659.89	2,082,150.34	18,095,194.61
Other payables	4(25), 16(22)	399,972,688.50	88,037,171.59	348,366,684.00	17,353,452.36
Non-current liabilities due within one year	4(26)	75,632,457.33	58,661,669.04	4,593,632.19	6,593,632.19
Total current liabilities		1,299,534,802.16	1,016,306,750.74	450,244,243.39	197,001,722.02
Non-current liabilities					
Long-term borrowings	4(27) (a)	511,000,000.00	521,100,000.00	394,400,000.00	441,100,000.00
Lease liabilities	4(28)	1,061,349.80	4,280,107.18	993,167.28	1,057,743.40
Long-term payables	4(29)	349,469,315.87	352,202,554.29	5,409,798.09	3,087,605.73
Provisions	4(30)	129,450,713.42	126,980,154.03		
Deferred income	4(31)	27,710,691.16	28,614,579.04	9,017,343.12	9,098,009.10
Deferred tax liabilities	4(32)	89,156,452.13	90,310,166.43		
Total non-current liabilities		1,107,848,522.38	1,123,487,560.97	409,820,308.49	454,343,358.23
Total liabilities		2,407,383,324.54	2,139,794,311.71	860,064,551.88	651,345,080.25
Owners' equity					
Share capital	4(33)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital reserve	4(34), 16(23)	4,258,569,997.76	4,258,569,997.76	4,254,754,857.49	4,254,754,857.49
Special reserve	4(35)	2,004,957.15		1,744,065.19	
Surplus reserve	4(36)	276,250,000.00	276,250,000.00	276,250,000.00	276,250,000.00
Retained earnings/(Accumulated Losses)	4(37)	424,612,296.53	585,709,023.40	359,904,055.47	600,717,115.95
Total equity attributable to shareholders of the Company		5,513,937,251.44	5,673,029,021.16	5,445,152,978.15	5,684,221,973.44
Non-controlling interests	5(1)	16,536,382.20	16,636,813.99		
Total owners' equity		5,530,473,633.64	5,689,665,835.15	5,445,152,978.15	5,684,221,973.44
TOTAL LIABILITIES AND OWNERS' EQUITY		7,937,856,958.18	7,829,460,146.86	6,305,217,530.03	6,335,567,053.69

The accompanying notes form an integral part of these financial statements.

Legal representative:
Guo Quan

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Yan Zhijun

CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

	Notes	Six months ended 30 June 2023 Consolidated	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2023 Company	Six months ended 30 June 2022 Company
1. Revenue	4(38), 16(24)	763,744,123.62	1,740,788,548.85	706,308,713.32	1,659,142,797.43
Cost of sales	4(38), 16(24)	(390,345,449.06)	(932,339,082.87)	(546,397,479.31)	(1,249,389,630.21)
Taxes and surcharges	4(40)	(20,360,673.69)	(34,044,840.74)	(9,305,299.73)	(9,223,911.06)
Selling expenses	4(41)	(3,907,606.00)	(7,259,209.29)	(3,426,170.81)	(6,655,980.65)
General and administrative expenses	4(42)	(70,290,922.06)	(70,136,611.98)	(23,527,437.67)	(22,595,359.50)
Research and development expenses	4(43)	(12,527,132.70)	(62,990,136.70)	(1,270,951.24)	(61,292,978.03)
Financial expenses - net	4(44), 16(25)	(22,057,271.58)	(26,070,827.19)	9,265,878.06	8,652,115.76
Including: Interest expenses		(19,725,084.91)	(25,351,693.71)	(7,986,705.71)	(17,831,013.87)
Interest income		7,926,840.67	6,384,411.23	17,313,737.50	26,593,431.54
Assets impairment (losses)/reversal	4(18), 16(45) 16(16)		(4,054,592.12)		
Credit impairment reversal/(losses)	4(18), 4(46) 16(16)	138,318.68	56,277.01	119,858.94	(202,264.15)
Gains/(losses) on changes in fair value	4(47), 16(27)	(20,486,134.51)		(20,486,134.51)	
Other income	4(50)	3,808,509.85	3,877,561.60	1,184,614.38	862,938.88
Investment income/(losses)	4(48), 16(28)	(16,434,163.32)	62,212,274.84	225,463.28	32,347,943.41
Including: Income from investments in joint ventures		225,463.28	32,347,943.41	225,463.28	32,347,943.41
(Losses)/gains on disposal of assets	4(49)		449,885.20		
2. Operating profit		211,281,599.23	670,489,246.61	112,691,054.71	351,645,671.88
Non-operating income	4(51)	283,146.38	1,305,038.81	230,646.38	896,191.82
Non-operating expenses	4(52)	(479,651.81)	(1,106,946.77)	(27,087.04)	(465,210.87)
3. Total profit		211,085,093.80	670,687,338.65	112,894,614.05	352,076,652.83
Income tax expenses	4(53), 16(29)	(40,782,252.46)	(61,009,939.19)	(22,207,674.53)	(34,256,806.45)
4. Net profit		170,302,841.34	609,677,399.46	90,686,939.52	317,819,846.38
Classified by continuity of operations:					
Net profit from continuing operations		170,302,841.34	609,677,399.46	90,686,939.52	317,819,846.38
Net profit from termination of operations					
Classified by owner's equity:					
Attributable to equity owners of the Company		170,403,273.13	609,576,924.08	90,686,939.52	317,819,846.38
Attributable to non-controlling interests		(100,431.79)	100,475.38		

CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

<i>Notes</i>	Six months ended 30 June 2023 Consolidated	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2023 Company	Six months ended 30 June 2022 Company
5. Other comprehensive income after tax				
6. Total comprehensive income	170,302,841.34	609,677,399.46	90,686,939.52	317,819,846.38
Attributable to equity owners of the Company	170,403,273.13	609,576,924.08	90,686,939.52	317,819,846.38
Attributable to non-controlling interests	(100,431.79)	100,475.38		
7. Earnings per share				
Basic earnings per share	4(54) 0.077	0.276	-	-
Diluted earnings per share	4(54) 0.077	0.276	-	-

The accompanying notes form an integral part of these financial statements.

Legal representative:
Guo Quan

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Yan Zhijun

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

Notes	Six months ended 30 June 2023 Consolidated	Six months ended 30 June 2022 Consolidated	Six months ended 30 June 2023 Company	Six months ended 30 June 2022 Company
3. Cash flows from financing activities				
Cash received from borrowings	400,000,000.00	450,000,000.00		150,000,000.00
Sub-total of cash inflows	400,000,000.00	450,000,000.00		150,000,000.00
Cash repayments of borrowings	(358,700,000.00)	(678,413,048.02)	(48,700,000.00)	(432,919,890.51)
Cash payments for interest expenses	(19,635,011.28)	(24,483,677.05)	(7,986,705.71)	(17,831,013.87)
Cash paid relating to other financing activities	4(55) (c) (2,843,489.04)	(919,890.51)	(117,443.76)	
Sub-total of cash outflows	(381,178,500.32)	(703,816,615.58)	(56,804,149.47)	(450,750,904.38)
Net cash flows used in financing activities	18,821,499.68	(253,816,615.58)	(56,804,149.47)	(300,750,904.38)
4. Effect of foreign exchange rate changes on cash and cash equivalents				
5. Net increase in cash and cash equivalents	4(56)(a) 87,198,685.41	406,136,908.52	52,383,174.86	379,941,787.31
Add: Cash and cash equivalents at beginning of year	4(56)(a) 621,470,686.87	376,577,078.14	596,436,866.09	345,259,293.15
6. Cash and cash equivalents at end of year	4(56)(b) 708,669,372.28	782,713,986.66	648,820,040.95	725,201,080.46

The accompanying notes form an integral part of these financial statements.

Legal representative:
Guo Quan

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Yan Zhijun

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

	Attributable to shareholders' equity of the Company							
	Share capital (note 4 (33))	Capital reserve (note 4 (34))	Special reserve (note 4 (35))	Surplus reserve (note 4 (36))	Retained earnings/ (Accumulated losses) (note 4 (37))	Sub-total	Non-controlling interests (note 5 (1))	Total owners' equity
Balance at 1 January 2022	552,500,000.00	4,258,569,997.76		273,273,385.36	(155,968,806.25)	4,928,374,576.87	18,054,813.80	4,946,429,390.67
Movements for the period ended 30 June 2022								
Total profit								
– Net profit					609,576,924.08	609,576,924.08	100,475.38	609,677,399.46
Total comprehensive profit					609,576,924.08	609,576,924.08	100,475.38	609,677,399.46
Appropriation to special reserve			21,516,179.86			21,516,179.86		21,516,179.86
Utilisation of special reserve			(16,796,063.23)			(16,796,063.23)		(16,796,063.23)
Balance at 30 June 2022	552,500,000.00	4,258,569,997.76	4,720,116.63	273,273,385.36	453,608,117.83	5,542,671,617.58	18,155,289.18	5,560,826,906.76
Balance at 1 January 2023	552,500,000.00	4,258,569,997.76		276,250,000.00	585,709,023.40	5,673,029,021.16	16,636,813.99	5,689,665,835.15
Movements for the period ended 30 June 2023								
Total comprehensive profit					170,403,273.13	170,403,273.13	(100,431.79)	170,302,841.34
– Net profit					170,403,273.13	170,403,273.13	(100,431.79)	170,302,841.34
Appropriation to surplus reserve Appropriation to special reserve			17,040,718.97			17,040,718.97		17,040,718.97
Utilisation of special reserve			(15,035,761.82)			(15,035,761.82)		(15,035,761.82)
Distributions to owners (or shareholders)					(331,500,000.00)	(331,500,000.00)		(331,500,000.00)
Balance at 30 June 2023	552,500,000.00	4,258,569,997.76	2,004,957.15	276,250,000.00	424,612,296.53	5,513,937,251.44	16,536,382.20	5,530,473,633.64

The accompanying notes form an integral part of these financial statements.

Legal representative:
Guo Quan

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Yan Zhijun

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

As at 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

	Share capital	Capital reserve	Special reserve	Surplus reserve	Retained earnings/ (Accumulated Losses)	Total owners' equity
Balance at 1 January 2022	552,500,000.00	4,254,754,857.49		273,273,385.36	167,602,745.11	5,248,130,987.96
Movements for the period ended 30 June 2022						
Comprehensive losses						
– Net losses					317,819,846.38	317,819,846.38
Total comprehensive losses					317,819,846.38	317,819,846.38
Appropriation to special reserve			4,252,514.76			4,252,514.76
Utilisation of special reserve			(1,183,680.63)			(1,183,680.63)
Balance at 30 June 2022	552,500,000.00	4,254,754,857.49	3,068,834.13	273,273,385.36	485,422,591.49	5,569,019,668.47
Balance at 1 January 2023	552,500,000.00	4,254,754,857.49		276,250,000.00	600,717,115.95	5,684,221,973.44
Movements for the period ended 30 June 2023						
Comprehensive losses						
– Net losses					90,686,939.52	90,686,939.52
Total comprehensive losses					90,686,939.52	90,686,939.52
Appropriation to special reserve			4,787,608.08			4,787,608.08
Utilisation of special reserve			(3,043,542.89)			(3,043,542.89)
Distributions to owners (or shareholders)					(331,500,000.00)	(331,500,000.00)
Balance at 30 June 2023	552,500,000.00	4,254,754,857.49	1,744,065.19	276,250,000.00	359,904,055.47	5,445,152,978.15

The accompanying notes form an integral part of these financial statements.

Legal representative:
Guo Quan

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Yan Zhijun

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)*

1 GENERAL INFORMATION

Xinjiang Xinxin Mining Industry Co. Ltd. (the “Company”) was incorporated on 1 September 2005 in Urumqi, Xinjiang Uygur Autonomous Region of the People’s Republic of China (the “PRC”) together by Xinjiang Non-ferrous Metal Industry (Group) Ltd. (“Xinjiang Non-ferrous Group”), Shanghai Yilian Kuangneng Co. Ltd. (“Shanghai Yilian”), Zhongjin Investment (Group) Ltd. (“Zhongjin Investment”), Xiamen Zijin Technology Co., Ltd. (now changed the name to Zijin Mining Group (Xiamen) Investment Co., Ltd. “Xiamen Zijin”), Xinjiang Xinying New Material Co., Ltd. (“Xinjiang Xinying”) and Shaanxi Honghao Industry Co. Ltd. (“Shaanxi Honghao”). Xinjiang Non-ferrous Group is the holding company. The Company was established with a total equity of RMB300,000,000.00 which was valued at RMB1 per share.

On 19 May 2006, the Company issued 80,000,000 new shares at a value of RMB1 each, the registered capital increased from RMB300,000,000.00 to RMB380,000,000.00. Xinjiang Non-ferrous Group injected its land use rights of Kalatongke Mine and Fukang Refinery as increased capital. Shanghai Yilian, Zhongjin Investment, Xiamen Zijin, Xinjiang Xinying, and Shaanxi Honghao paid the increased capital in cash.

Pursuant to a resolution of the shareholders of the Company dated 11 May 2007 and the approval from China Securities Regulatory Commission dated 29 August 2007, each share of RMB1 was subdivided into four shares of RMB0.25 each with effect from 27 September 2007. The total number of shares immediately after the share split was 1,520,000,000.

In October 2007, the Company completed the issue of 690,000,000 H shares of RMB0.25 each at HK\$6.5 (equivalent to approximately RMB6.3) per share as a result of the Initial Public Offering and listing of the Company’s H shares on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, pursuant to the relevant approval from the State-owned Assets Supervision and Administration Commission of the State Council (the “SASAC”), upon the completion of the H share listing, 69,000,000 domestic shares held by Xinjiang Non-ferrous Group were converted into an equivalent number of H shares which par value was RMB0.25 and transferred to the National Council for Social Security Fund of the PRC. Total capital increased to RMB552,500,000.00 after this issue.

On 9 March 2016, Shaanxi Honghao transferred all 6,272,000 domestic shares that it held in the Company to Shaanxi Guangyou Trading Co., Ltd. (“Shaanxi Guangyou”) through negotiated assignment.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the mining, ore processing, smelting, refining of nickel, copper, and vanadium, and sales of nickel, copper, and other non-ferrous metal products.

These financial statements were authorised for issue by the Company’s Board of Directors on 25 August 2023.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group applies specific accounting policies and accounting estimates in regard to provisions for doubtful debts of receivables (note 2(9)), measurement of inventories (note 2(10)), measurement model of the investment property (note 2(12)), depreciation of fixed assets and amortisation of intangible assets and right of use asset (note 2(13), (16), (30)), the standard of capitalized developed costs (note 2(16)) impairment of long-term assets (note 2(20)) and recognition and measurement of revenue (note 2(26)).

The criterion of adoption of important accounting policies, accounting estimates, and accounting assumptions by the Group is listed in note 2(32).

(1) Basis of preparation

The financial statements have been prepared according to the Basic Standard of the Accounting Standards for Business Enterprises, the specific standards and other relevant regulations issued by the Ministry of Finance on and after 15 February 2006, thereafter (hereafter collectively referred to as “the Accounting Standard for Business Enterprises” or “CAS”), the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – the General Provisions of Financial Reports issued by the China Securities and Regulatory Commission.

The financial statements are prepared on a going concern basis.

The new Hong Kong Companies Ordinance went into effect on 3 March 2014, and some of the disclosures have been adjusted to the requirement of the Hong Kong Companies Ordinance.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The interim financial statements of the Company for the period ended 30 June 2023 comply with the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the consolidated and the Company's financial position as of 30 June 2023, and of the consolidated and the Company's interim results of operations and cash flows and other related information for the period then ended.

(3) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(4) Recording currency

The recording currency of the Company is Renminbi (RMB). The financial statements are presented in RMB.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Business combinations

(a) Business combinations involving entities under common control

The consideration paid and net assets obtained by the combining party in a business combination are measured at the carrying amount. If the combined party is acquired from a third party by the ultimate controlling party in a prior year, the consideration paid, and net assets obtained by the combining party are measured based on the carrying amounts of the combined party's assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) presented in the consolidated financial statements of the ultimate controlling party. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving entities not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it together with the Company, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Preparation of consolidated financial statements (Continued)

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and its subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions, and unrealised profits are eliminated in the consolidated financial statements. The portion of subsidiaries' equity and the portion of subsidiaries' net profits and losses for the period not attributable to the Company are recognised as non-controlling interests and presented separately in the consolidated financial statements under equity and net profits respectively.

The unrealised intra-group profits from sales of assets by the Company to its subsidiaries are eliminated from the net profits of the Company. In contrast, the unrealised intra-group profits from sales of the assets by subsidiaries to the Company are eliminated in the net profits of the Company and its non-controlling interests based on the percentages of equity investments. The unrealised intra-group profits among subsidiaries are eliminated based on the proportions of equity investments by the Company and non-controlling interests on the subsidiaries selling the assets and allocated between the net profit of the Company and non-controlling interests.

A transaction will be adjusted from the perspective of the Group in the condition that assertions are different when accounting entities are the Group and the Company or its subsidiaries.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency transactions

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments

A financial instrument refers to any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of the other parties. The Group recognises a financial asset or a financial liability when the Group becomes a party to the contractual provisions of a financial instrument.

(a) Financial assets

(i) Classification & Measurement

According to the business model of financial assets management and the contractual terms of the cash flows of financial assets, the Group classifies its financial assets in the following categories: (1) financial assets carried at amortised cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Notes receivable and accounts receivable derived from sales of goods or rendering of services, which do not contain or consider significant financing components are recognised at the amount that the Group is entitled to collect.

Debt instruments

The debt instruments held by the Group refer to the instruments that meet the definition of financial liabilities from the issuers' perspective. There are three categories into which the Group classifies its debt instruments:

At amortised cost:

The group's business model for managing such financial assets is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. That is, the cash flows generated on a specific date, represent solely payment of the principal and interest on the outstanding principal amount. The Group recognises interest income for such financial assets in accordance with the effective interest method. Such financial assets mainly include cash and bank, notes and trade receivables, other receivables, debt investment, and long-term receivables. The investment of debt and long-term receivables of the group that matures within one year since the balance sheet date (including one year) are presented as non-current assets that mature in one year, while debt investments of which the period is within one year (inclusive) are presented as other current assets.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification & Measurement (Continued)

Fair value through other comprehensive income:

The Group's business model for managing such financial assets is achieved both by collecting contractual cash flows and from the sale of these assets. The contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income, but impairment losses or gains, exchange gains and losses, and interest income calculated by the effective interests method are recognised in the current profit and loss. Such financial assets mainly include financing receivable, other debt investments, etc. The Group's other investments in bonds with a maturity of one year or less from the balance sheet date are presented as non-current assets that mature in one year; other investments in bonds with a maturity of one year or less at the time of acquisition are presented as other current assets.

Fair value through profit or loss (FVPL):

Except for the financial assets at amortised cost and financial assets at FVOCI, the Group has classified the remaining financial assets as financial assets at fair value through profit or loss. In order to eliminate or significantly reduce accounting mismatch on initial recognition, the Group designates part of financial assets as financial assets at fair value through profit or loss. The assets with a maturity of more than 1 year and expected to be held for more than 1 year are presented in other non-current financial assets, others are presented in financial assets held for trading.

Equity instruments

Investments in equity instruments, over which the Group has no control, joint control, or significant influence, are measured at fair value through profit or loss under financial assets held for trading; investments in equity instruments expected to be held for over one year as from the balance sheet date are included in other non-current financial assets.

In addition, a portion of certain investments in equity instruments not held for trading is designated as financial assets at fair value through other comprehensive income upon initial recognition under other investments in equity instruments. The relevant dividend income of such financial assets is recognised in profit or loss for the current period.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment of financial assets

The Group recognises loss provisions based on expected credit losses for financial assets measured at amortized cost, investments in debt instruments at fair value through other comprehensive income, contract assets, lease receivables, and financial guarantee contracts.

The Group recognises expected credit losses by calculating the probability-weighted amount of the present value of the difference between the cash flows receivable under a contract and the cash flows expected to be received, weighted by the risk of default, taking into account reasonable and substantiated information about past events, current conditions and projections of future economic conditions that are available at the balance sheet date without undue additional cost and effort.

For notes receivable, accounts receivable, financing receivables, and contract assets arising from ordinary operating activities, such as sales of goods and rendering of services, the Group measures the loss allowance based on lifetime expected credit losses, regardless of whether or not there is a significant financing component. For lease receivables, the Group also elects to measure the loss allowance based on lifetime expected credit losses.

Except for notes receivable, accounts receivable, financing receivables, contract assets, and lease receivables mentioned above, at each balance sheet date, the Group measures separately the expected credit losses on financial instruments in different stages. If the credit risk of a financial instrument has not increased significantly since initial recognition, the financial instrument is in stage 1, and the Group measures the loss allowances based on the expected credit losses in the next 12 months; if the credit risk of a financial instrument has increased significantly since initial recognition, but credit impairment has not occurred, the financial instrument is in stage 2, and the Group measures the loss allowances based on the expected credit losses over the entire life of the instrument; and if a financial instrument has been impaired since initial recognition, the financial instrument is in stage 3, and the Group measures the loss allowances based on the expected credit losses over the entire life of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Group assumes that there has been no significant increase in credit risk since initial recognition, recognises them as financial instruments in stage 1, and measures the loss allowances based on the expected credit losses in the next 12 months.

The Group calculates interest income on financial instruments in stages 1 and 2 on the basis of their book balance before the provision for impairment and the effective interest rate. For financial instruments in stage 3, interest income is calculated on the basis of their book balance less amortized cost after provision for impairment and the effective interest rate.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment of financial assets (Continued)

When information on expected credit losses cannot be assessed at a reasonable cost for a single financial asset, the Group classifies receivables into portfolios based on credit risk characteristics and calculates expected credit losses on a portfolio basis, and determines the portfolios on the following basis:

The group of Related party	Related parties
The group of Non-Related party	Non-Related parties
The group of reserve	Staff reserve
Other	Other

For the receivables, lease receivables, notes receivable and financing receivable derived from daily business activities such as sales of goods and rendering of services, the Group calculates the expected credit loss by referring to the historical credit loss experience, combining the current situation and the forecast of future economic conditions, and based on the exposure at default and lifetime expected credit loss rate throughout its lifetime. The other notes receivable, financing receivable and other receivables and long-term receivables are divided into groups, the Group calculates the expected credit loss by referring to the historical credit loss experience, combining the current situation and the forecast of the future economic conditions, and based on the exposure at default and lifetime expected credit loss rate within the next 12 months or throughout its lifetime.

The Group recognises the gains or losses in profit or loss of the provision or reversal of the impairment. In the case of a debt instrument held at fair value through other comprehensive income, the Group adjusts other comprehensive income while recording gain or loss in profit and loss.

(iii) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Derecognition of financial assets (Continued)

On derecognition of other equity instruments, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive benefits, is recognised in retained earnings, and on derecognition of other financial instruments is recognised in retained earnings.

(b) Financial liabilities

Financial liabilities are classified as financial liabilities at amortised cost or financial liabilities at fair value through profit or loss at initial recognition.

The financial liabilities of the Group mainly are financial liabilities at amortised cost, including notes payable and accounts payable, other payables and borrowings, etc. The financial liabilities are initially measured at fair value exclusive transaction costs and are subsequently measured at the effective interest rate method. Financial liabilities with maturities within 1 year (inclusive) are presented in current liabilities. Financial liabilities with maturities of more than 1 year but are due within 1 year (inclusive) at the balance sheet date are presented in the current portion of non-current liabilities. Others are presented in non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss for the current period.

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. For the financial instrument which is not traded in an active market, the fair value is determined by using a valuation technique with enough available data and other information to support in the current situation. Valuation techniques include market approach, income approach, etc. When a valuation technique is used to establish the fair value of a financial instrument, we should consider the market inputs of the assets or liabilities which have consistent features of the assets or liabilities traded by market participants and make the maximum use of observable market inputs. When relevant observable inputs are not available or feasible, unobservable inputs are adopted.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) Inventories

(a) Classification

Inventories include raw materials, work in progress, semi-finished goods and finished goods are measured at the lower of cost and net realisable value.

(b) Valuation method of issued inventories

Cost is determined using the weighted average method. The cost of finished goods, semi-finished goods and work in progress comprise raw materials, direct labour and systematically allocated production overhead based on the normal production capacity.

(c) Basis for determining net realisable values of inventories and method for making provision for a decline in the value of inventories

Provision for a decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated contract performance costs and selling expenses and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortisation method for low-value consumables and packaging

Low-value consumables are amortised using the step-by-step amortisation method, and packaging materials are amortised using the one-time write-off method.

(11) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, and the Group's long-term equity investments in its joint ventures.

Subsidiaries are investees over which the Company can exercise control. A joint venture is a joint arrangement entered into by the Group through a separate entity over which the Group can exercise joint control with other parties and over which the Group has rights only to the net assets by virtue of legal form, contractual terms and other facts and circumstances.

Investments in subsidiaries are presented in the Company's financial statements using the cost method and are adjusted to the equity method when preparing the consolidated financial statements. Investments in joint ventures are accounted for using the equity method. Accounting policies of joint ventures are consistent with the policies adopted by the Group.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Long-term equity investments (Continued)

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving entities under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving entities not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement and recognition of related profit and loss

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss for the current period.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Long-term equity investments (Continued)

(b) Subsequent measurement and recognition of related profit and loss (Continued)

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of the net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, its other comprehensive income, and its distributable profits, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees and then based on which the investment gains or losses in the Company's financial statements are recognised. In preparing the consolidated financial statements, for the portion of unrealized gains and losses on internal transactions attributable to the Group arising from downstream transactions in which the Group invests in or sells assets to the investee, the Group shall offset the portion of unrealized revenues and costs or gains or losses on the disposal of assets attributable to the Group on the basis of offsetting in the financial statements of the Company and shall adjust the investment income accordingly. For the portion of unrealized gains and losses on internal transactions attributable to the Group arising from countercurrent transactions in which the investee invests in or sells assets to the Group, the Group shall, on the basis of the offsetting in the financial statements of the Company, offset the portion of unrealized gains and losses on internal transactions attributable to the Group included in the book value of the relevant assets, and adjust the book value of long-term equity investments accordingly. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determining the existence of control, joint control or significant influence over investees

Control is possessing power over the investee to obtain variable returns from its operating activities. And it can use the power to impact the amount of return.

Joint control is the contractually agreed sharing of control over economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Long-term equity investments (Continued)

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, joint ventures and associates shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (note 2(20)).

(12) Investment Properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of leasing and buildings that are being constructed or developed for future use for leasing, are initially measured by cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and their costs can be reliably measured; otherwise, the expenditures are recognised in profit or loss for the period in which they are incurred.

The group adopts a cost model for subsequent measurement of all investment properties, using the straight line method and depreciating or amortizing buildings and land use rights based on their estimated useful lives and net residual value rates. The estimated useful lives, net residual values rates and annual depreciation (amortization) rates of investment properties are shown below:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Buildings	50 years	5%	1.90%
Land use rights	50 years	0%	2.00%

When an investment property is transferred to owner-occupied property, it is reclassified as fixed asset or intangible asset. When an owner-occupied property is transferred out for earning rentals or for capital appreciation, the fixed asset or intangible asset is transferred to investment properties. When conversion occurs, the book value before conversion shall be taken as the entry value after conversion.

The estimated useful lives, estimated net residual values and depreciation (amortization) method of the investment property are reviewed and adjusted as appropriate at the end of each year.

When the investment property is disposed of permanently withdrawn from use and no economic benefit is expected from its disposal, the recognition of the investment property shall be terminated. The amount of disposal of the investment property from sale, transfer, scrapping or destruction shall be included in the current profit and loss after deducting its carrying value and relevant taxes and fees.

When the receivable amount of investment property is less than the carrying value, the carrying value is written down to the receivable amount (note 2(20)).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, mining structures, machinery, motor vehicles, and electronic and office equipment.

Fixed assets are recognised when it is probable that the related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the acquisition date. The fixed assets contributed by the State shareholders at the reorganisation of the Company into a corporation entity are recognised based on the evaluated amounts approved by the state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives but mining structures. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based on the adjusted carrying amounts over their remaining useful lives.

The estimated service life, net residual value and annual depreciation rate of fixed assets outside the construction of the tunnel are listed as follows:

Categories	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10 to 50 years	3% or 5%	1.90%–9.70%
Machinery	5 to 20 years	3% or 5%	4.75%–19.40%
Motor vehicles	4 to 12 years	3% or 5%	7.92%–24.25%
Electronic and office equipment	3 to 12 years	3% or 5%	7.92%–32.33%

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structure using the unit-of-production method.

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Fixed assets (Continued)

(c) The carrying amount of fixed assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (note 2(20)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(e) The carrying amount of fixed assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (note 2(20)).

(f) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins the following month. The carrying amount of construction in progress shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (note 2(20)).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(15) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally, and the interruption lasts for more than 3 months until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings used, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the period of expected duration or shorter period are applied discounted to the initial amount of the borrowings.

(16) Intangible assets

Intangible assets include mining rights, exploration rights, land use rights and others, and are initially measured at cost or fair value.

(a) Mining rights

Mining rights are stated at the actual cost. While mining rights acquired by the business combination are recognised at the fair value at the acquisition date, then subsequently are recorded at cost less accumulated amortisation and impairment losses. Mining rights are amortised upon the commencement of mining production using the straight-line method over 18 to 33 years.

(b) Exploration rights

Exploration rights acquired by business combinations involving enterprises not under common control are recognised at the fair value at the acquisition date. Upon transformation to mining rights, accounting policies relating to mining rights are used to account for them.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(16) Intangible assets (Continued)

(c) Land uses rights

Land use rights invested by the share shareholders holders are recognised at the value agreed by all the shareholders unless the agreed value is not fair. Purchased land use rights are stated at actual cost, while land use rights acquired by the business combination are recognised at the fair value at the acquisition date, then subsequently are recorded at cost less accumulated amortisation and impairment losses. Land use rights are amortised on a straight-line basis over the period of the land use rights varying from 10 to 70 years.

(d) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, a review of its useful life and amortisation method is performed at each year-end, with adjustments made as appropriate.

(e) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Development expenditures that do not meet the above criteria are recognised in profit or loss as incurred. Development expenditures charged to profit or loss in prior periods are not re-recognised as assets in subsequent periods. Expenditures in the development stage that have been capitalized are presented as development expenditures on the balance sheet and are transferred to intangible assets from the date the project reaches its scheduled use.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(16) Intangible assets (Continued)

(f) Impairment of intangible assets

The carrying amount of intangible assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (note 2(20)).

(17) Exploration assets and filling cost

The Group's exploration assets include topographical and geological exploration, exploration drilling, sampling, trenching and relevant commercial and technical feasibility study, and the expenditure arising from expanding existing orebody exploration and improving the orebody productivity.

At the initial stage of the exploration project, exploration and evaluation expenditures are recognised in profit or loss when they occurred. When the project has technical feasibility and commercial feasibility, the exploration and evaluation expenditures (including the cost of purchasing the mineral exploration right) are capitalised into exploration and evaluation assets by individual projects.

Exploration and evaluation assets are recorded in construction in progress, transferred to fixed assets or intangible assets at the date that the assets are ready for their intended use, and are depreciated or amortised over the term of the rights. When the project is aborted, the relevant unrecoverable cost will be written off and recognised in profit or loss when it occurred.

Infill costs incurred after the extraction of the deposit are included in production costs.

(18) Goodwill

Goodwill is recognised at the excess of the cost of a business combination involving enterprises not under common control over the interest in the fair value of the acquirees' identifiable net assets acquired in the business combination as at the acquisition date.

(19) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets held under operating leases, and other expenditures that have been incurred but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on a straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(20) Impairment of long-term assets

Fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives, investment property measured by cost method and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. For intangible assets which have not been ready to use, regardless of the existence of the indicators of impairment losses, the impairment tests should be carried out annually. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that can generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the allocated goodwill, is lower than its carrying amount, the corresponding impairment loss is recognised.

The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of assets other than goodwill.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(21) Employee benefits

Employee benefits mainly include short-term employment benefits, post-employment benefits and termination benefits incurred in exchange for service rendered by employees or labour relations terminated.

(a) Short-term employment benefits

Short-term employment benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds, employee education funds, short-term payable leaves, etc. Short-term employment compensation is recognised as salaries and wages payable in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable. Non-monetary benefits are measured at fair value.

(b) Post-employment benefits

Post-employment benefits are classified as defined contribution plans and defined benefit plans. A defined contribution is a post-employment benefits plan in which the Group is not obliged to make further payments after paying a certain amount to individual funds. Defined benefit plans are other post-employment benefits plans except for defined contribution plans. During the period, post-employment benefits mainly include basic social pension security, unemployed insurance and enterprise supplementary pension those of which are defined contribution plans.

Basic pension benefits

Employees of the Group participate in the defined contribution pension plan set up and administered by local labour and social security departments. Based on the salaries of the employees, basic pensions are provided monthly according to stipulated proportions, which are paid to local labour and social security institutions. After the employees are retired, the local labour and social security departments have the responsibility to pay basic pension benefits to them. Basic pension benefits are recognised as payables in the accounting period in which an employee has rendered service, as costs of assets or expenses to whichever the employee service is attributable.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(21) Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payables when employment is terminated by the Group before the employment contract expires, or compensation is provided as an offer to encourage employees to accept voluntary redundancy. The Group recognises termination benefits as liabilities and charges to profit or losses at the earlier of the following dates: (i) when the Group can no longer withdraw the offer of termination plan; and (ii) when the Group recognises costs for restructuring which involves the payment of termination benefits.

(d) Cash stock appreciation right

The Group provides cash stock appreciation rights to serving employees who meet certain conditions and are paid according to a predetermined schedule. The Group conducts initial measurement of cash stock appreciation rights liabilities based on the best estimate of the expenditures required to perform relevant current obligations and includes them in current expenses. In the initial measurement, the Group comprehensively considers factors such as employee turnover rate. On the balance sheet date, review the book value of the cash stock appreciation rights liability and make appropriate adjustments to reflect the current best estimate.

(22) Share-based payment

(a) Cash-settled share-based payment

The Group's stock appreciation rights plan is a cash-settled share-based payment, which is measured at the fair value of the liabilities assumed by the Group based on the Company's shares. The cash-settled share-based payment shall be exercised only after completing the service within the waiting period and meeting the specified performance conditions. On each balance sheet date of the waiting period, the option shall be based on the best estimate of the vesting situation and shall be borne by the Group in accordance with the fair value of liabilities, the services obtained in the current period are included in costs or expenses, and liabilities are increased accordingly. On each balance sheet date and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities is re-measured, and the changes are included in the current profit and loss.

(b) Basis for recognising the best estimate for unlockable or exercisable equity instruments

On each balance sheet date of the waiting period, the Group makes the best estimate based on the latest follow-up information such as the change in the number of employees who can be unlocked or vested, and revise the estimated number of equity instruments that can be unlocked or vested. On the unlockable or exercisable date, the final estimated number of unlockable or exercisable equity instruments is consistent with the actual number of unlockable or exercisable equity instruments.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Payables for specific projects

Payables for specific projects are the special or specific purpose funds that the Group obtained from governments as the owner of the enterprise, which should be included in the payables for specific projects when the funds are received. After the completion of the specific project, the expenditure that forms assets is recognised as deferred income according to actual costs. Other expenditure that does not form assets, which need to hand in or write off, should be written down from the payables for specific projects after approval.

(24) Dividend distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the annual general meeting.

(25) Provisions

Provisions for closure of tailings and environmental restoration are recognised when the Group has a present obligation, an outflow of economic benefits will probably be required to settle the obligation, and the amount of the obligation can be measured reliably. Asset retirement obligations which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related fixed assets of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the fixed assets. Interest expenses from the assets retirement obligations for each period are recognised with the effective interest method during the useful lives of the related fixed assets. If the conditions for the recognition of the provisions are not met, the expenditures for the decommissioning, removal and site cleaning will be expensed in the income statement when occurred.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from the passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

The provisions expected to be settled within one year since the balance sheet date are classified as current liabilities.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(26) Revenue recognition

The Group recognises revenue in accordance with the amount of the consideration to be received when customers acquire control of the relevant commodity.

(a) Sale of goods

Sales are recognised when the products have been shipped to the specific location in accordance with the sales contract and the customers have inspected the products and signed acceptance notices. There is no significant financing component as the sales are made with a credit term varied by customers' credit risk characteristics, which is consistent with market practices. Advance received from customers is presented as contract liabilities in the balance sheet.

(27) Safety fund

Pursuant to Regulation No. [2022]136, "Management measures of accrual and use of safety fund of business enterprises", issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to accrue safety funds. The fund is earmarked for improving the safety of production.

Pursuant to Regulation No. [2010]8, "No. 3 Interpretation of CAS", issued by the Ministry of Finance on 21 June 2010, enterprises in high-risk industries should accrue safety funds under China's law and regulation, and the fund should be accrued to production costs or current profit or loss, and credited to specific reserve. The safety expenditures of the Group that are expenses in nature are directly debited to specific reserves. The safety expenditures of the Group that are formed into fixed assets through a collection of construction in progress are recognised as fixed assets when the safety projects are completed and to the expected conditions for use; at the same time, the specific reserve is written down through the costs of formed fixed assets, and the same amount is confirmed to accumulated depreciation. For these fixed assets, there will be no further depreciation in the following accounting periods.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(28) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax returns, financial subsidies, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of long-term assets. Government grants related to income refer to government grants other than those related to assets.

Government grants related to assets are either deducted against the carrying amount of the assets or recorded as deferred income and recognised in profit or loss on a systematic reasonable over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss, or deducted against related costs, expenses or losses directly in the current period. The Group applies the presentation method consistently to similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

(29) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(29) Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group can control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- the deferred tax assets and liabilities are related to the same taxpayer within the Group and the same taxation authority; and
- that taxpayer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

(30) Leases

Leases, refer to a contract in which the lessor transfers the right to use the assets to the lessee for consideration in a certain period.

As lessee:

The Group recognises the right to use assets at the beginning of the lease term and recognises the lease liabilities by the present value of unpaid lease payments. Lease payments include fixed payments and payments to be made in the case of a reasonable determination of the exercise of the purchase option or termination of the lease option. The variable rent determined according to a certain proportion of sales volume is not included in the rental payment amount but is included in the current profit and loss when it occurs. The Group's lease liabilities payable within one year (including one year) from the balance sheet date are listed as non-current liabilities due within one year.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(30) Leases (Continued)

As lessee: (Continued)

Right-of-use assets of the Group comprise leased buildings and land use rights. Right-of-use assets are measured initially at cost which comprises the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date and any initial direct costs, less any lease incentives received. If there is reasonable certainty that the Group will obtain ownership of the underlying asset by the end of the lease term, the asset is depreciated over its remaining useful life; otherwise, the asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amount of the right-of-use asset is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

For short-term leases with a term of 12 months or less and leases of an individual asset (when new) of low value, the Group may, instead of recognising right-of-use assets and lease liabilities, include the lease payments in the cost of the underlying assets or in the profit or loss for the current period on a straight-line basis over the lease term.

As lessor:

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. Others are classified as operating leases.

(a) Operating lease

Where the Group leases out self-owned buildings, machinery and equipment, and motor vehicles under operating leases, the rental income therefrom is recognised on a straight-line basis over the lease term. Variable rental that is linked to a certain percentage of sales is recognised in rental income as incurred.

When the lease is changed, the Group regards it as a new lease from the effective date of the change and regards the advance receipts or lease receivables related to the lease before the change as the receipts for the new lease.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(31) Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions:

- (1) the component is able to earn revenues and incur expenses from its ordinary activities;
- (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance;
- (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(32) Critical accounting estimates and judgements

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

(a) The key criteria for selecting the accounting policies

(i) Classification of financial assets

The Group's key judgments in determining the classification of financial assets include business models and the analysis of contract cash flow characteristics.

The Group defines the business model for managing financial assets at the level of the portfolio of financial assets, taking into account how financial asset performance is evaluated and reported to key managers, the risks affecting financial asset performance, and how they are managed, and how the relevant business managers receive compensation.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(32) Critical accounting estimates and judgements (Continued)

(a) The key criteria for selecting the accounting policies (Continued)

(i) Classification of financial assets (Continued)

In assessing whether the contractual cash flows of financial assets are in line with the basic lending arrangements, the Group has the following main judgments: whether the principal is likely to cause a change in the time distribution or amount of money during the lifetime due to prepayment, or whether the interest includes only currency time value, credit risk, Other basic borrowing risks as well as the cost and profit of the price. For example, whether the amount paid in advance reflects only outstanding principal and interest on the basis of outstanding principal, and reasonable compensation paid for the early termination of the contract.

(ii) Criteria for judging significant increases in credit risk

When the Group classifies the stages of financial instruments into different stages, its criteria for a significant increase in credit risk and credit-impaired are as follows:

The Group determines the significant increase in credit risk is mainly based on the criteria such as whether the number of overdue days exceeds 180 days or any significant changes in one or more of the following: the deteriorations in the business environment, internal and external credit rating, actual or expected operating results of the debtor, the significant decline in the value of collaterals or credit rating of guarantor which affects the probability of default, etc.

The Group determines the occurrence of credit impaired is mainly based on the criteria such as whether the number of overdue days exceeds 360 days (i.e. a default has occurred) or whether one or more of the following conditions exist: the debtor is suffering from significant financial difficulties, the debtor is undergoing a debt restructuring, or it is probable that the debtor will be bankrupted, etc.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(32) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(i) Accounting estimates on impairment of non-current assets

As stated in note 2(20), the Group annually estimates the carrying amount of fixed assets, construction in progress, land use rights, mining rights and exploration rights exceeds its recoverable value, whether has occurred the impairment.

As at 30 June 2023, there was no impairment loss provided for fixed assets, construction in progress, land use rights and mining rights. The management identifies that a group of assets which can be able to generate independent cash flow includes fixed assets, construction in progress, land use rights, mining rights and exploration rights which can be determined as an independent cash-generating unit. The recoverable amount of the cash-generating units in fixed assets, construction in progress, land use rights, mining rights and exploration rights are determined by the present value of the future cash flow expected to be derived from the asset. The present value has been determined by using the expected cash flow which is approved by management, and the management's assumptions and estimates of the selling price of metal, reserves and production volumes and discount rates. The key assumptions and estimates used in the recoverable amount calculation of assets include a forecast of the selling price of nickel and copper, and discount rates.

If management revises the growth rate that is used in the calculation of the future cash flows of the asset group, and the revised growth rate is lower than the rate currently used, the Group would need to recognise further impairment against fixed assets.

If management revises the gross profit margin that is used in the calculation of the future cash flows of the asset group, and the revised gross profit margin is lower than the one currently used, the Group would need to recognise further impairment against fixed assets.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(32) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(i) Carrying amount of evaluated non-current assets (Continued)

If management revises the discount rate applied to the discounted cash flows, and the revised discount rate is higher than the one currently applied, the Group would need to recognise further impairment against fixed assets.

If the actual growth rate and gross profit margin is higher or the actual discount rate is lower than management's estimates, the impairment loss of fixed assets as previously recognised is not allowed to be reversed by the Group.

(ii) Accounting estimates on impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of asset groups and groups of asset groups is the present value of the future cash flows expected to be derived from them. These calculations require the use of estimates (note 2(20)).

As at 30 June 2023, there was no impairment for goodwill. The recoverable amounts of different cash-generating units to which the goodwill, have been determined based on value-in-use calculations using cash flow projections, based on financial budgets approved by senior management and management's assumptions and estimates including forecast of selling prices of metal products, reserves and production volumes, discount rates and inflation rate. The discount rates used in cash flow projections varied with different cash-generating units.

If management revises the growth rate that is used in the calculation of the future cash flows of asset group or group of asset groups, and the revised growth rate is lower than the rate currently used, the Group would need to recognise further impairment against goodwill.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(32) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(ii) *Accounting estimates on impairment of goodwill (Continued)*

If management revises the gross profit margin that is used in the calculation of the future cash flows of an asset group or group of asset groups, and the revised gross profit margin is lower than the one currently used, the Group would need to recognise further impairment against goodwill.

If management revises the discount rate applied to the discounted cash flows, and the revised discount rate is higher than the one currently applied, the Group would need to recognise further impairment against goodwill.

If the actual growth rate and gross profit margin are higher or the actual discount rate is lower than management's estimates, the impairment loss of goodwill as previously recognised is not allowed to be reversed by the Group.

(iii) *Income tax*

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

According to the accounting policy mentioned in note 2(29), the Group compiles profit forecast annually. For those deductible temporary losses and deductible temporary differences which can be deducted from the taxable income in future years in accordance with the tax law, they should be recognised as deferred tax assets.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(32) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(iii) *Income tax (Continued)*

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The realisation of deferred tax assets depends on the realisation of sufficient profitability (taxable profit) of the Group. The change in future income tax rates and timing of reversals of taxable temporary differences would affect income tax expense (benefits) and balances of deferred tax. Deviation of aforesaid estimates could result in a material adjustment to the carrying amount of deferred income tax.

As at 30 June 2023, deferred tax assets of RMB83,471,048.51 have been recognised in the Group's balance sheet. As stated in note 4(32) (d), the Group still has unrecognised deductible temporary losses of RMB50,211,883.77 at 30 June 2023. Deferred tax assets have not been recognised due to the fact that there is no certainty of obtaining approval from local tax authorities or there is no certainty of their respective realisation of these tax benefits through available future taxable profits of those subsidiaries concerned. In cases where the actual future assessable profits are more or less than expected or approval from local tax authorities is obtained, a recognition or reversal of deferred tax assets may arise accordingly.

(iv) *Useful lives of fixed assets and intangible assets*

The Group's management determines the estimated useful lives and related depreciation/amortisation charges for its fixed assets and intangible assets. This estimate is based on the historical experience of the actual useful lives of fixed assets and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation or amortisation.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(32) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(v) Mineral reserves

Engineering estimates of the Group's mineral reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proved" and "probable". Proved and probable mineral reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment losses. The depreciation rate is determined based on the proven developed economically recoverable reserves at the end of the period and units of non-ferrous metals produced in the current period. The capitalised cost of mining structures is amortised based on the units of non-ferrous metals produced.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(32) Critical accounting estimates and judgements (Continued)

(b) Critical accounting estimates and key assumptions (Continued)

(vi) *Measurement of expected credit losses*

The Group calculates the expected credit losses based on exposure at default and lifetime expected credit loss rate and determines the expected credit loss rate according to the probability of default and loss given default. In determining the expected credit loss rate, the Group uses data such as internal historical credit loss experience and adjusts historical data in combination with current status and forward-looking information.

In considering forward-looking information, the Group has considered the different macroeconomic scenarios. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of expected credit losses, including the risk of economic downturn, external market environment, technological environment, changes in customer conditions, GDP and CPI.

(33) Change in important accounting policy:

The Ministry of Finance released the Circular on Issuing Interpretation No. 15 of Accounting Standards for Business Enterprises (Interpretation No. 15) in 2021 and Q&A on Implementation of Accounting Standards for Business Enterprises in 2022. The financial statements for the year ended 30 June 2023 have been prepared by the Group and the Company in accordance with the above circulars and Q&A. The revisions have no significant impacts on the financial statements of the Group and the Company.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION

The principal types and rates of taxes applicable to the Group are set out below:

Type	Taxable base	Tax rate
Corporate income tax	Taxable income	15%/20%/25% (note (1))
Value-added tax ("VAT")	Taxable value-added (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of the current period)	9%/13% (note (2))
Resources tax	Amount of ore output during the current month or taxable sales revenue of products or consumption of taxable products regarded as sales	4%/8% (note (3))
City maintenance and construction tax	VAT and consumption tax	7%/5%/1%
Education surcharge	VAT and consumption tax	3%
Property tax	Taxable residual value of property Rental income of property	1.20% 12%
Environment tax	Pollution equivalent	RMB1.2/pollution equivalent (note (4))

(1) Corporate income tax

The Group applies the Law of the People's Republic of China on Enterprise Income Tax passed by the National People's Congress on 16 March 2007. The corporate income tax rate is 25%.

The rate of income tax applicable to the Group and the relevant approval documents are set out below:

- (a) The Company is a high-tech enterprise in Xinjiang Uygur Autonomous Region. On 1 December 2020, it obtained the certificate of high-tech enterprise jointly issued by the Science & Technology Department of Xinjiang Uygur Autonomous Region, the Department of Finance of Xinjiang Uygur Autonomous Region, and State Administration of taxation the Xinjiang Uygur Autonomous Region Taxation Bureau. The certificate number is GR202065000296, and the validity period is three years. The Company calculated and paid corporate income tax using the preferential rate of 15% for the six months ended 30 June 2023. The Company obtained the recognition that its business is within the catalogue of encouraged industries from the Economic and Information Commission of Xinjiang Uygur Autonomous Region (2022: 15%).
- (b) Xinjiang Yakesi, a subsidiary of the Company, obtained the recognition that its business is within the catalogue of encouraged industries from the Economic and Information Commission of Xinjiang Uygur Autonomous Region. Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% for the six months ended 30 June 2023 (2022: 15%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (CONTINUED)

(1) Corporate income tax (Continued)

- (c) Hami Jubao, a subsidiary of the Company, obtained the recognition that its business is within the catalogue of encouraged industries from the Economic and Information Commission of Xinjiang Uygur Autonomous Region. Hami Jubao calculated and paid corporate income tax using the preferential rate of 15% for the six months ended 30 June 2023 (2022: 15%).
- (d) Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter “Kalatongke Mining”), a subsidiary of the Company, obtained the recognition that its business is within the catalogue of encouraged industries from the Economic and Information Commission of Xinjiang Uygur Autonomous Region. Kalatongke Mining calculated and paid corporate income tax using the preferential rate of 15% for the six months ended 30 June 2023 (2022: 15%).
- (e) Xinjiang Mengxi Mining Co., Ltd. (hereafter “Mengxi Mining”), a subsidiary of the Company, for the year 2022, in accordance with the Circular No. 8 of 2021 of the State Taxation Administration: small low-profit enterprises with annual taxable income not exceeding RMB1 million are subject to a reduced tax rate of 12.5% on their taxable income, and are subject to enterprise income tax at a tax rate of 20%. This Circular was terminated on 31 December 2022. For the six months ended 30 June 2023, in accordance with the Circular No. 13 of 2019 of the State Taxation Administration, small low-profit enterprises with annual taxable income not exceeding RMB1 million are entitled to a reduced tax rate of 25% of their taxable income and are subject to corporate income tax at a rate of 20% (2022: 20%).
- (f) Zhongxin Mining, a subsidiary of the Company, is a high-tech enterprise in Xinjiang Uygur Autonomous Region. On November 25, 2021, the company obtained the certificate of high-tech enterprise jointly issued by the Department of science and technology of Xinjiang Uygur Autonomous Region, the Department of finance of Xinjiang Uygur Autonomous Region, the State Administration of Taxation and the Taxation Bureau of Xinjiang Uygur Autonomous Region. The certificate number is GR202116500397, and the validity period is three years. During the six months ending June 30, 2023, the enterprise income tax shall be calculated and paid at the rate of 15% according to the preferential tax policy. (2022: 25%).
- (g) Shanghai Sales Branch and other subsidiaries of the Company, including Beijing Xinding Shunze High Technology Co., Ltd. (hereafter “Beijing Xinding”) and Shaanxi Xinxin Mining Co., Ltd. (hereafter “Shaanxi Xinxin”), the applicable corporate income tax rate for the six months ended 30 June 2023 is 25% (2022: 25%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)*

3 TAXATION (CONTINUED)

(2) Value-added tax

According to the Notice of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on the Policy of Deepening the Reform of Value Added Tax (The General Administration of Taxation of the Ministry of Finance, The General Administration of Customs Of the General Administration of Customs, No. 39) and the relevant provisions, as of April 1, 2019, the value-added tax rate applicable to the Group's main product sales business is 13% and to the rental business is 9%.

For the purchase of raw materials, fuel, power, and equipment input VAT can deduct output VAT. Value-added tax payable equals to the output VAT less deductible input VAT of current period.

(3) Resource tax

Pursuant to "Notification of Financial Department of Xinjiang Uygur Autonomous Region and Regional Tax Bureau of Xinjiang Uygur Autonomous Region about adjusting local copper and nickel ore resources tax rate", Kalatongke Mining pays resources tax of 4% for bulk concentrate and resources tax of 8% for high grade ore of consumption of taxable products regarded as sales and Xinjiang Yakesi and Hami Jubao pay 4% of sales based on sales of taxable products.

(4) Environment tax

Pursuant to Regulation No. [2018] 23, "Notice on environment protection", since 1 January 2018, Kalatongke Mining, Xinjiang Yakesi, Hami JuBao, Zhongxin Mining and Fukang refinery pay RMB1.2 per pollution equivalent based on the weight of the pollution equivalent, which is converted from the amount of pollution emissions.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2023	31 December 2022
Cash on hand	370.81	370.81
Cash at bank	708,669,001.47	621,470,316.06
Restricted cash at bank (a)	5,282,216.82	5,041,226.17
	713,951,589.10	626,511,913.04

(a) Restricted cash at bank is shown as follows:

	30 June 2023	31 December 2022
Environmental restoration and production safety deposits	5,193,382.23	4,952,410.70
Deposits for bank acceptance notes	74,034.59	74,015.47
ETC guarantee	14,800.00	14,800.00
	5,282,216.82	5,041,226.17

(2) Financial assets held for trading

	30 June 2023	31 December 2022
Financial assets at fair value through profit or loss	11,000,000.00	11,000,000.00

Financial assets held for trading are capital-guaranteed floating-income structured deposits purchased by the Group from the bank. The maximum risk exposure of the product which the Group purchased at the balance sheet date was the book value of RMB11,000,000.00. The Group has no obligation or intention to provide financial support for this product.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Notes receivable

	30 June 2023	31 December 2022
Bank acceptance notes	36,800,000.00	29,410,000.00

- (a) As at 30 June 2023, the Group had no pledged notes receivable presented as notes receivable.
- (b) As at 30 June 2023, the Group's notes receivable, which were endorsed or discounted but not yet due, were presented as follows:

	Derecognised	Not derecognised
Bank acceptance notes (i)		30,800,000.00

- (i) As at 30 June 2023, most bank acceptance notes were discounted and endorsed by the Company and its subsidiaries as needed in its daily treasury management. The bank acceptance notes that qualify for derecognition were classified as financial assets at fair value through other comprehensive income and presented as financing receivables (note 14(5)), while those notes receivable that do not qualify for derecognition were classified as financial assets measured at amortised cost.
- (c) As at 30 June 2023, the Group did not provide bad debts on bank acceptance notes. The Group believes that its bank acceptance notes within this group are not exposed to significant credit risk and the probability of default of these banks is very low.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable

	30 June 2023	31 December 2022
Accounts receivable	39,273,757.41	32,838,087.48
Less: Provision for bad debts	(5,788,838.25)	(5,927,156.93)
	33,484,919.16	26,910,930.55

The Group conducted sales transactions mainly through cash on credit sales, and credit terms were granted not exceeding 180 days.

- (a) Aging analysis of accounts receivable by dates on which they were recorded was as follows:

	30 June 2023	31 December 2022
Within 1 year	30,430,031.51	23,437,859.02
1–2 years	516,847.52	310,050.12
2–3 years	310,050.12	559,164.12
3–4 years	559,164.12	310,050.12
4–5 years	310,050.12	1,538,680.32
Over 5 years	7,147,614.02	6,682,283.78
	39,273,757.41	32,838,087.48

- (b) Accounts receivable with top five balances, grouped by party in arrears as at 30 June 2023 were analysed in aggregate as follows:

	Balance	Provision for bad debts	% of the total balance of accounts receivable
Accounts receivable with top-five balances	32,790,720.00	(1,479,734.44)	83.49%

- (c) No accounts receivable were derecognised due to transfers of financial assets during this period.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable (Continued)

(d) Provision for bad debts

The Group measures the loss allowance for accounts receivable, regardless of whether there is a significant financing component, based on lifetime expected credit losses.

(ii) *Accounts receivable for which bad debt provision was made on a group basis as at 30 June 2023 were analysed as follows:*

Group – Related parties:

	Book balance Amount	30 June 2023 Provision for bad debts Lifetime expected credit loss rate	
		Lifetime expected credit loss rate	Amount
Not overdue	3,205,239.35	1.22%	(39,103.92)
1–6 months overdue	310,050.12	1.22%	(3,782.61)
7–18 months overdue	310,050.12	2.32%	(7,194.70)
More than 18 months overdue	4,325,025.90	37.80%	(1,634,870.66)
	8,150,365.49		(1,684,951.89)

Group – Non-related parties:

	Book balance Amount	30 June 2023 Provision for bad debts Lifetime expected credit loss rate	
		Lifetime expected credit loss rate	Amount
Not overdue	26,654,473.69	0.69%	(184,604.48)
1–6 months overdue	334,978.05	1.32%	(4,423.08)
7–18 months overdue	226,289.40	3.19%	(7,208.02)
More than 18 months overdue	3,907,650.78	100.00%	(3,907,650.78)
	31,123,391.92		(4,103,886.36)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable (Continued)

(d) Provision for bad debts (Continued)

(iii) *Accounts receivable for which bad debt provision was made on a group basis as at 31 December 2022 were analysed as follows:*

Group – Related parties:

	Book balance Amount	31 December 2022 Provision for bad debts	
		Lifetime expected credit loss rate	Amount
Not overdue	3,389,181.29	1.22%	(41,260.34)
1–6 months overdue	1,992,017.69	1.22%	(24,251.09)
7–18 months overdue	310,050.12	2.32%	(7,194.70)
More than 18 months overdue	5,088,325.86	35.88%	(1,825,664.19)
	10,779,574.96		(1,898,370.32)

Group – Non-related parties:

	Book balance Amount	31 December 2022 Provision for bad debts	
		Lifetime expected credit loss rate	Amount
Not overdue	17,830,370.64	0.14%	(25,094.77)
1–6 months overdue	226,289.40	0.81%	(1,839.36)
7–18 months overdue			
More than 18 months overdue	4,001,852.48	100.00%	(4,001,852.48)
	22,058,512.52		(4,028,786.61)

(iv) *The amount of provision for bad debts reversed during the six months ended 30 June 2023 was RMB138,318.68.*

(e) No write-offs of accounts receivable occurred during this period.

(f) As at 30 June 2023 and 31 December 2022, the Group had no accounts receivable pledged to banks as collaterals for borrowings.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Financing receivable

	30 June 2023	31 December 2022
Bank acceptance notes	61,199,199.42	145,854,590.43

Most bank acceptance notes shall be discounted and endorsed by the Group and its subsidiaries as needed in its daily treasury management and therefore, the bank acceptance notes are classified as financial assets at fair value through other comprehensive income and listed as financing receivables.

The Group and its subsidiaries consider that the bank acceptance notes held have similar credit risk characteristics, and there are no bank acceptance notes for which a single provision for impairment has been made. In addition, the bank acceptance notes are not exposed to significant credit risk and no significant losses will be incurred as a result of bank defaults.

As at 30 June 2023, the Group had no pledged bank acceptance notes receivable listed in financing receivables. (31 December 2022: Nil)

As at 30 June 2023, in addition to note 4(3), the bank acceptance notes endorsed or discounted but unmatured of the Group are as follows:

	Derecognised	Not derecognised
Bank acceptance notes		792,366,944.42

(6) Advances to suppliers

(a) Aging of advances to suppliers was analysed as follows:

	30 June 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	33,304,929.21	79.44%	25,228,415.32	82.01%
1–2 years	3,565,025.87	8.50%	1,102,483.76	3.58%
2–3 years	624,542.60	1.49%	1,048,748.14	3.41%
Over 3 years	4,433,540.78	10.57%	3,384,792.64	11.00%
	41,928,038.46	100.00%	30,764,439.86	100.00%

On 30 June 2023, advances to suppliers over 1 year with a book value of RMB8,623,109.25 (31 December 2022: RMB5,536,024.54) were mainly advances paid for purchasing raw materials because the purchased goods have not arrived yet and have quality disputes, and the budget has not yet been settled.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Advances to suppliers (Continued)

(b) Advances to suppliers with top five balances, grouped by party in arrears as at 30 June 2023 were analyzed in aggregate as follows:

	Amount	% of total balance
Total amount of the top five advances to suppliers	23,868,630.59	56.93%

(7) Other receivables

	30 June 2023	31 December 2022
Receivables from related parties (<i>note 8(6) (b)</i>)	9,963,958.62	14,318,756.98
Beitun-Altai Railway Investment Funds	2,000,000.00	2,000,000.00
Margin	150,000.00	150,000.00
Others	6,549,131.62	2,946,890.51
	18,663,090.24	19,415,647.49
Less: Provision for bad debts (<i>b</i>)	(2,437,501.17)	(2,437,501.17)
	16,225,589.07	16,978,146.32

(a) Aging of other receivables was analysed as follows:

	30 June 2023	31 December 2022
Within 1 year	6,234,114.00	3,061,465.20
1–2 years	559,355.09	621,151.45
2–3 years	270,451.07	293,668.07
Over 3 years	11,599,170.08	15,439,362.77
	18,663,090.24	19,415,647.49

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Other receivables (Continued)

(b) Loss allowances and the movement of their book balances

	Stage 1		Stage 3		Total
	Expected credit losses over the next 12 months (by group)		Lifetime expected credit losses (credit impairment incurred)		Provision for bad debts
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	
31 December 2022	17,415,647.49	(437,501.17)	2,000,000.00	(2,000,000.00)	(2,437,501.17)
Increase during this period	28,694,936.62				
Decrease during this period	(29,447,493.87)				
Including: Write-offs for this period					
Derecognition	(29,447,493.87)				
Provision for bad debts added during the year					
30 June 2023	16,663,090.24	(437,501.17)	2,000,000.00	(2,000,000.00)	(2,437,501.17)

As at 30 June 2023, the Group had no other receivables in the stage 2. Other receivables in stages 1 and 3 are analysed below:

(i) As at 30 June 2023, the analysis of other receivables with individual bad debt provisions is as follows:

Stage 3	Book balance	Lifetime expected credit loss rate	Provision for bad debts	Reason
Funds receivable from Bei'a Railway Co., Ltd	2,000,000.00	100.00%	(2,000,000.00)	i)

i) As at 30 June 2023, the amount of accounts receivable from Xinjiang Bei'a Railway Co. Ltd. is RMB2,000,000.00. However, because the project Beitun-Altai Railway does not have significant progress, the Group considers that it is too difficult to recover the investment section, and the full amount of provision for bad debt is measured.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Other receivables (Continued)

(b) Loss allowances and the movement of their book balances (Continued)

(ii) As at 30 June 2023 and 31 December 2022, provision for bad debts of other receivables recognised on a collective basis which were all within stage 1 is analysed as follows:

	30 June 2023			31 December 2022		
	Book balance Amount	Provision for loss Amount	Accrual ratio	Book balance Amount	Provision for loss Amount	Accrual ratio
Provision on a group basis:						
Related party	9,963,958.62	(384,808.10)	3.86%	14,318,756.98	(389,280.57)	2.72%
Staff reserve				82,881.48		
Others	6,699,131.62	(52,693.07)	0.79%	3,014,009.03	(48,220.60)	1.60%
	16,663,090.24	(437,501.17)		17,415,647.49	(437,501.17)	

(c) There was no reversal of provision for bad debts during the year.

(d) There were no write-offs of other receivables during the year.

(e) Other receivables with top five balances, grouped by party in arrears as at 30 June 2023 were analysed as follows:

	Nature	Balance	Aging	% of total balance	Provision of bad debts
Hami Jinhui Real Estate Development Co., Ltd.	Current accounts receivable	9,140,420.20	Over 5 years	48.98%	(361,874.07)
Xinjiang Bei'a Railway Co. Ltd.	Investment receivables	2,000,000.00	Over 5 years	10.72%	(2,000,000.00)
Jinchuan Group Automation Engineering Co., Ltd.	Movable fees receivables	775,298.60	Within 1 year	4.15%	
Wuxi New Generation Electric Appliance Co., Ltd.	Current accounts receivable	641,745.00	Within 1 year	3.44%	
Xinjiang Jinhui Real Estate Development Co., Ltd.	Equipment receivables	393,029.00	1-2 years	2.11%	(10,803.39)
		12,950,492.80		69.40%	(2,372,677.46)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Inventories

(a) Classification of inventories was as follows:

	30 June 2023			31 December 2022		
	Book balance	Provision for the decline in value of inventories	Book value	Book balance	Provision for the decline in value of inventories	Book value
Raw materials	65,641,195.61	(543,427.80)	65,097,767.81	103,514,730.19	(543,427.80)	102,971,302.39
Work in progress	123,588,108.14		123,588,108.14	114,331,194.44		114,331,194.44
Self-made semi-finished goods	1,066,247,449.73		1,066,247,449.73	790,031,735.48		790,031,735.48
Finished goods	202,432,587.58	(1,445,490.29)	200,987,097.29	319,906,420.69	(11,771,866.14)	308,134,554.55
	1,457,909,341.06	(1,988,918.09)	1,455,920,422.97	1,327,784,080.80	(12,315,293.94)	1,315,468,786.86

(b) Provision for the decline in value of inventories were analysed as follows:

	31 December 2022	Increase during this period Accrual	Decrease during this period Reversal	Write-off	30 June 2023
Raw materials	(543,427.80)				(543,427.80)
Finished goods	(11,771,866.14)		10,326,375.85		(1,445,490.29)
	(12,315,293.94)		10,326,375.85		(1,988,918.09)

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. The reason for the reversal of provision for the decline in the value of inventories of finished goods in the current year is that they have been sold.

(9) Other current assets

	30 June 2023	31 December 2022
Input VAT to be deducted	44,415,924.03	16,617,666.99
Prepayment of corporate income tax	14,675,804.60	3,091,166.82
	59,091,728.63	19,708,833.81

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Long-term equity investments

	30 June 2023	31 December 2022
Joint-venture (a)	202,576,217.03	229,602,883.20
Less: Provision for impairment of long-term equity investments		
	202,576,217.03	229,602,883.20

The Group's investees are unlisted companies and there are no significant restrictions on the realisation of long-term equity investments.

(a) Joint venture

	31 December 2022	Net gain or loss adjusted by the equity method (note 4(48))	Offsetting the unrealised profit of internal transaction (note 5(2) (b))	Declaration of cash dividends or profits	Provision for impairment	30 June 2023	Closing balance of impairment provision
Hexin Mining	229,602,883.20	775,463.28	(16,802,129.45)	(11,000,000.00)		202,576,217.03	

The place of registration and main premises of Hexin Mining are both in China, Hexin Mining is one of the major raw material suppliers of the Group and has strategic significance to ensure the raw material supply.

Refer to note 5(2) for relevant equity information in the joint venture.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Investment property

	Buildings	Land use rights	Total
Original price			
31 December 2022	169,718,953.71	68,551,732.40	238,270,686.11
Decrease during this period			
Other decreases	(10,651.38)		(10,651.38)
30 June 2023	169,708,302.33	68,551,732.40	238,260,034.73
Accumulated depreciation/Amortization			
31 December 2022	6,797,188.95	15,081,381.28	21,878,570.23
Increase during this period			
Accrual	1,696,820.16	685,517.28	2,382,337.44
30 June 2023	8,494,009.11	15,766,898.56	24,260,907.67
Book value			
30 June 2023	161,214,293.22	52,784,833.84	213,999,127.06
31 December 2022	162,921,764.76	53,470,351.12	216,392,115.88

For the six months ended 30 June 2023, the depreciation and amortisation of investment properties amounted to RMB2,382,337.44 (for the six months ended June 30, 2022: RMB2,385,024.21).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Fixed assets

(a) Fixed assets

	Buildings	Mining structure	Machinery and equipment	Motor vehicles	Electronic & office equipment	Total
Original price						
31 December 2022	2,016,523,906.48	1,979,022,028.68	1,769,658,712.92	42,752,837.82	109,601,192.97	5,917,558,678.87
Increase during this period						
Purchase	1,590,938.58		27,804,180.55	1,970,006.82	3,452,134.58	34,817,260.53
Transfer-in from construction in progress						
(note 4(13) (a))	3,100,095.91	3,104,747.37	5,412,746.96		538,938.06	12,156,528.30
Decrease during this period						
Disposal and retirement			(2,157,772.93)	(1,063,989.53)		(3,221,762.46)
– Other decreases	(1,000,777.23)					(1,000,777.23)
6 June 2023	2,020,214,163.74	1,982,126,776.05	1,800,717,867.50	43,658,855.11	113,592,265.61	5,960,309,928.01
Accumulated depreciation						
31 December 2022	688,535,530.22	402,606,420.36	1,090,795,538.33	29,962,625.18	74,793,989.31	2,286,694,103.40
Increase during this period						
Accrual	29,582,601.22	42,296,286.63	62,782,297.59	1,224,925.71	6,703,577.47	142,589,688.62
Decrease during this period						
Disposal and retirement			(1,774,308.80)	(1,039,059.85)		(2,813,368.65)
30 June 2023	718,118,131.44	444,902,706.99	1,151,803,527.12	30,148,491.04	81,497,566.78	2,426,470,423.37
Provision for impairment						
31 December 2022	38,119,351.70		27,690,711.02			65,810,062.72
Increase during this period						
Accrual						
30 June 2023	38,119,351.70		27,690,711.02			65,810,062.72
Book value						
30 June 2023	1,263,976,680.60	1,537,224,069.06	621,223,629.36	13,510,364.07	32,094,698.83	3,468,029,441.92
31 December 2022	1,289,869,024.56	1,576,415,608.32	651,172,463.57	12,790,212.64	34,807,203.66	3,565,054,512.75

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Fixed assets (Continued)

(a) Fixed assets (Continued)

For the six months ended 30 June 2023, the depreciable amount of fixed assets was RMB142,589,688.62 (for the six months ended 30 June 2022: RMB127,720,322.72), of which RMB134,076,453.28 was charged to operating cost, RMB8,467,090.08 to general and administrative expenses, RMB34,760.58 to selling expenses, and RMB11,384.68 to research and development expenses (for the six months ended 30 June 2022: RMB118,657,981.13, RMB6,936,195.08, RMB44,354.66 and RMB2,081,791.85 respectively).

The costs of fixed assets transferred in from construction in progress amounted to RMB12,156,528.30 (for the six months ended 30 June 2022: RMB25,532,031.06).

(b) Temporarily idle fixed assets

On 30 June 2023, fixed assets with a book value of RMB2,737,397.88 (Original price of RMB51,886,205.60) were temporarily idle for production facility improvement (31 December 2022: RMB2,737,397.88 (Original price of RMB51,886,205.60)), and analysed as follows:

	Original price	Accumulated depreciation	Book value
Machinery and equipment	25,342,294.96	(23,941,929.16)	1,400,365.80
Buildings	19,163,466.99	(18,195,457.15)	968,009.84
Electronic and office equipment	7,380,443.65	(7,011,421.41)	369,022.24
	51,886,205.60	(49,148,807.72)	2,737,397.88

(c) Fixed assets with pending certificates of ownership

On 30 June 2023, the book value of RMB240,917,647.10 of buildings was in the process of applying the property ownership certificates. The Group's management believes that there is no substantial difficulty in obtaining the property ownership certificate, and there is no significant adverse effect on the Group's operation.

(13) Construction in progress

	30 June 2023	31 December 2022
Construction in progress (a)	390,380,200.26	320,657,440.47
Construction materials		
	390,380,200.26	320,657,440.47

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Construction in progress (Continued)

(a) Construction in progress

	30 June 2023		31 December 2022			
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Headquarters						
Periphery copper mining in Fuyun Kalatongke						
Fukang refinery						
Nickel system release cobalt project						
Compression and leaching of copper slag project						
Installation project of nickel starting sheet processing units and nickel packaging units	1,700,000.00		1,700,000.00	1,700,000.00		1,700,000.00
75 tons boiler ultra-low emission						
Substation expansion and transformation project						
Steam pipe network transformation						
Coal-to-gas conversion project for boilers						
Pump and autoclave equipment project	1,081,016.81		1,081,016.81	10,724,770.52		10,724,770.52
Red slag storage fully enclosed construction						
Other smelting projects	49,431,378.70		49,431,378.70	30,551,041.59		30,551,041.59
Sub-total of the Company	61,942,395.51		61,942,395.51	42,975,812.11		42,975,812.11
Subsidiaries:						
Kalatongke Mning						
Final stage mining for 10,000 tons of nickel	14,462,001.73		14,462,001.73	14,343,428.06		14,343,428.06
Final stages of mining extension	9,949,235.23		9,949,235.23	8,829,043.28		8,829,043.28
Mine exploration project	348,306.60		348,306.60	348,306.60		348,306.60
Fugitive gas desulphurization project	5,060,344.44		5,060,344.44	4,937,702.93		4,937,702.93
Tailings storage reclamation project						
Smelters 100,000 tons of material storage						
Heat recovery steam generator project	3,454,960.62		3,454,960.62	3,454,960.62		3,454,960.62
Technical improvement project of depleted electric furnace	15,663,716.82		15,663,716.82	7,831,858.41		7,831,858.41
Sulfuric acid storage tank project	18,678,373.85		18,678,373.85	14,855,524.37		14,855,524.37
Other projects	57,580,111.85		57,580,111.85	29,302,322.23		29,302,322.23
Xinjiang Yakesi						
Huangshanxi mining and ore processing project	84,655,254.48		84,655,254.48	74,878,812.18		74,878,812.18
Other projects	667,459.43		667,459.43	667,459.43		667,459.43
Hami Jubao						
Huangshandong #12 mine project	115,883,966.70		115,883,966.70	116,198,137.25		116,198,137.25
Zhongxin Mining						
Other projects						
Shaanxi Xinxin						
Other projects	2,034,073.00		2,034,073.00	2,034,073.00		2,034,073.00
Sub-total of subsidiaries	328,437,804.75		328,437,804.75	277,681,628.36		277,681,628.36
Total	390,380,200.26		390,380,200.26	320,657,440.47		320,657,440.47

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Construction in progress (Continued)

(a) Construction in progress (Continued)

Project name	Budget	31 December 2022	Increase during this period	Transfer to intangible assets	Transfer to fixed assets	Transfer to development cost	Other decreases	30 June 2023	Engineering inputs as a percentage of budget	The accumulative amount of the capitalization of borrowing costs	Including: Borrowing costs capitalised in current year	Capitalisation rate of borrowing costs for the year	Source of funds
Headquarters													
Periphery cooper mining in Fuyun Kalatongke (I)													
Fukang refinery													
Nickel system release cobalt project													
Compression and leaching of copper slag project													
Installation project of nickel starting sheet processing units and nickel packaging units	2,000,000.00	1,700,000.00						1,700,000.00	85.00%				Self-raised
75 tons boiler ultra-low emission													
Substation expansion and transformation project													
Steam pipe network transformation													
Coal-to-gas conversion project for boilers													
Pump and autoclave equipment project	19,590,000.00	10,724,770.52	86,246.29					10,811,016.81	55.19%				Self-raised
Red slag storage fully enclosed construction													
Other smelting projects	83,543,700.32	30,551,041.59	18,880,337.11					49,431,378.70	59.17%				Self-raised
Sub-total of the Company	105,133,700.32	42,975,812.11	18,966,583.40					61,942,395.51					

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Construction in progress (Continued)

(a) Construction in progress (Continued)

Project name	Budget	31 December 2022	Increase during this period	Transfer to intangible assets	Transfer to fixed assets	Transfer to development cost	Other decreases	30 June 2023	Engineering inputs as a percentage of budget	The accumulative amount of the capitalization of borrowing costs	Including: Borrowing costs capitalised in current year	Capitalisation rate of borrowing costs for the year	Source of funds
Subsidiaries:													
Kalatongke Mining													
Final stage mining for 10,000 tons of nickel	47,535,682.93	14,343,428.06	4,610,447.66		(4,491,873.99)			14,462,001.73	80.49%	3,654,986.91			Self-raised
Final stages of mining extension	64,967,581.47	8,829,043.28	1,120,191.95					9,949,235.23	34.81%				Self-raised
Mine exploration project	352,894.22	348,306.60						348,306.60	98.70%				Self-raised
Fugitive gas desulphurization project	14,195,681.09	4,937,702.93	122,641.51					5,060,344.44	88.43%				Self-raised
Heat recovery steam generator project	5,900,000.00	3,454,960.62						3,454,960.62	58.56%				Self-raised
Sulfuric acid storage tank project	18,965,200.00	14,855,524.37	3,822,849.48					18,678,373.85	78.33%				Self-raised
Technical improvement project of depleted electric furnace	29,500,000.00	7,831,858.41	7,831,858.41					15,663,716.82	26.55%				Self-raised
Other projects	97,145,578.02	29,302,322.23	37,308,507.37		(2,506,261.55)		(6,524,456.20)	57,580,111.85	97.99%				Self-raised
Xinjiang Yakesi													
Huangshanxi mining and ore processing project	1,185,673,185.74	74,878,812.18	14,934,835.06		(5,158,392.76)			84,655,254.48	94.12%				Self-raised
Other projects	800,000.00	667,459.43						667,459.43	83.43%				Self-raised
Hami Jubao													
Huangshandong #12 mine project	177,312,100.00	116,198,137.25	114,129.48				(428,300.03)	115,883,966.70	65.53%				Self-raised
Zhongxin Mining													
Other projects													
Shaanxi Xinxin													
Other projects	10,000,000.00	2,034,073.00						2,034,073.00	20.34%				Self-raised
Sub-total of subsidiaries	1,652,347,903.47	277,681,628.36	69,865,460.92		(12,156,528.30)		(6,952,756.23)	328,437,804.75		3,654,986.91			
Total	1,757,481,603.79	320,657,440.47	88,832,044.32		(12,156,528.30)		(6,952,756.23)	390,380,200.26		3,654,986.91			

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(14) Right-of-use assets

	Buildings	Land use rights	Total
Original price			
31 December 2022	3,779,037.71	6,444,727.56	10,223,765.27
Increase during this period			
New lease contract			
30 June 2023	3,779,037.71	6,444,727.56	10,223,765.27
Accumulated depreciation			
31 December 2022	1,566,918.06	1,320,671.10	2,887,589.16
Increase during this period			
Accrual	553,029.90	537,060.00	1,090,089.90
30 June 2023	2,119,947.96	1,857,731.10	3,977,679.06
Book value			
30 June 2023	1,659,089.75	4,586,996.46	6,246,086.21
31 December 2022	2,212,119.65	5,124,056.46	7,336,176.11

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Intangible assets

	Mining rights	Exploration rights	Land use rights	Others	Total
Original price					
31 December 2022	1,185,307,091.62	208,153,000.00	174,121,352.56	3,928,957.96	1,571,510,402.14
Increase in purchases during the year (note 4(29))	165,333.36			484,336.28	649,669.64
Transfer-in from construction in progress (note 4(13) (a))					
30 June 2023	1,185,472,424.98	208,153,000.00	174,121,352.56	4,413,294.24	1,572,160,071.78
Accumulated amortisation					
31 December 2022	259,592,630.36		49,334,294.78	2,852,026.70	311,778,951.84
Increase in accruals for the year	21,049,308.69		1,678,194.77	312,167.61	23,039,671.07
30 June 2023	280,641,939.05		51,012,489.55	3,164,194.31	334,818,622.91
Provision for impairment					
31 December 2022		135,543,621.45			135,543,621.45
30 June 2023		135,543,621.45			135,543,621.45
Book value					
30 June 2023	904,830,485.93	72,609,378.55	123,108,863.01	1,249,099.93	1,101,797,827.42
31 December 2022	925,714,461.26	72,609,378.55	124,787,057.78	1,076,931.26	1,124,187,828.85

For the six months ended 30 June 2023, amortisation expense of intangible assets amounted to RMB23,039,671.07 (six months ended 30 June 2022: RMB19,130,468.57).

The exploration rights owned by the Group were obtained from the acquisition of the Shaanxi Xinxin Xianghe Street Vanadium Mine and the Mujiahe Vanadium Mine in 2011. The exploration rights certificates of Xianghe Street Vanadium Mine expired on 30 June 2023. The exploration rights certificates of Mujiahe Vanadium Mine expired on 3 February 2023. The Group is still applying for the extension of the validity period of the Xianghe Street Vanadium Mine Prospecting Right Certificate, and the relevant procedures have not been approved as of the reporting date.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(16) Goodwill

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023
Goodwill				
Zhongxin Mining	17,844,894.10			17,844,894.10
Xinjiang Yakesi and Hami Jubao	9,987,911.01			9,987,911.01
Shaanxi Xinxin	254,745.09			254,745.09
	28,087,550.20			28,087,550.20
Less: Provision for impairment				
Zhongxin Mining	(17,844,894.10)			(17,844,894.10)
Xinjiang Yakesi and Hami Jubao				
Shaanxi Xinxin	(254,745.09)			(254,745.09)
	9,987,911.01			9,987,911.01

As at 30 June 2023 and 31 December 2022, the Group performed an impairment test for goodwill (note 2 (32)) in accordance with the accounting policy in note 2 (20).

As at 30 June 2023, the key assumptions used in the Group's goodwill impairment test were set out below:

	Zhongxin Mining	Xinjiang Yakesi and Hami Jubao
Growth rate	2%	2%
Gross margin	6%	21%
Discount rate	14% (after-tax)	14% (pre-tax)

As at 31 December 2022, the key assumptions used for the Group's goodwill impairment test were as follows:

	Zhongxin Mining	Xinjiang Yakesi and Hami Jubao
Growth rate	2%	2%
Gross margin	6%	21%
Discount rate	14% (pre-tax)	14% (pre-tax)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(16) Goodwill (Continued)

The weighted average growth rates applied by management are referred to those estimated in the industry reports and do not exceed the long-term average growth rates of each product. Management determines the budgeted gross margin based on historical experience and forecasts of market developments and uses a pre-tax rate or after-tax rate that reflects the specific risks of the relevant asset groups and asset group combinations as the discount rate. The above assumptions are used to analyze the recoverable amounts of the respective asset groups and asset group combinations.

(17) Other non-current assets

(a) The amount represented the prepayment for utilities of Xinjiang Yakesi, which will be offset by the utilities to be incurred in the future.

	30 June 2023	31 December 2022
Prepaid utilities (a)	11,807,410.00	13,158,240.14

(18) Provision for impairment of assets and losses

	31 December 2022	Increase during this period (note 4 (45), (46))	Decrease during this period Reversal	Decrease during this period Write-off (note 4(8) (b))	30 June 2023
Bad debt provision for accounts receivable	5,927,156.93		(138,318.68)		5,788,838.25
Including :					
Provision for bad debts on an individual basis					
Provision for bad debts on a collective basis	5,927,156.93		(138,318.68)		5,788,838.25
Bad debt provision for other receivables	2,437,501.17				2,437,501.17
Provision for impairment of intangible assets	135,543,621.45				135,543,621.45
Provision for impairment of fixed assets	65,810,062.72				65,810,062.72
Provision for the decline in value of inventories	12,315,293.94			(10,326,375.85)	1,988,918.09
Provision for impairment of goodwill	18,099,639.19				18,099,639.19
	240,133,275.40		(138,318.68)	(10,326,375.85)	229,668,580.87

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(19) Long-term prepaid expenses

	31 December 2022	Increase during this period	Amortization	Other decreases	30 June 2023
Renovation costs of office	1,634,664.98	366,055.05	(199,999.98)		1,800,720.05
Pavement repair	642,068.26		(116,739.66)		525,328.60
	2,276,733.24	366,055.05	(316,739.64)		2,326,048.65

(20) Notes payable

	30 June 2023	31 December 2022
Bank acceptance notes		

(21) Accounts payable

	30 June 2023	31 December 2022
Payable for the purchase of materials	182,235,385.41	221,770,537.29
Payable for the purchase of services	31,806,738.73	46,486,449.17
Transportation fee payable	1,641,081.17	3,422,815.40
Others	197,843.43	758,085.24
	215,881,048.74	272,437,887.10

(a) As at 30 June 2023, accounts payable over one year with a book value of RMB23,059,557.67 (31 December 2022: RMB26,618,869.80) were mainly payables for the purchase of materials. Due to the dispute over the quality of materials, the payment has not been settled.

(b) Aging analysis of accounts payable by dates on which they were recorded was as follows:

	30 June 2023	31 December 2022
Within 3 months	181,727,520.44	227,780,010.95
3 to 6 months	6,983,775.81	11,293,142.70
6 to 12 months	4,110,194.82	6,745,863.65
Over 12 months	23,059,557.67	26,618,869.80
	215,881,048.74	272,437,887.10

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Contract liabilities

	30 June 2023	31 December 2022
Advances on sales (a)	18,008,378.87	16,234,115.54

(a) On 30 June 2023, the balance of the Group's contract liabilities was RMB18,008,378.87, of which RMB15,115,670.04 of the beginning book value has been recognised as operating revenue during the six months ended June 30, 2023.

(23) Employee benefits payable

	30 June 2023	31 December 2022
Short-term employee benefits payable (a)	86,679,013.88	109,633,590.85
Defined contribution plans payable (b)	196,857.45	6,656.73
	86,875,871.33	109,640,247.58

(a) Short-term employee benefits

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023
Salaries, bonuses, allowances and subsidies	97,531,839.15	90,015,589.66	(111,349,258.97)	76,198,169.84
Staff welfare		3,128,809.05	(2,455,105.05)	673,704.00
Social insurances	1,270,200.65	10,320,750.40	(11,584,304.22)	6,646.83
Including: Medical insurance	1,270,156.21	8,475,684.80	(9,739,480.58)	6,360.43
Work injury insurance	44.44	1,753,025.09	(1,752,985.13)	84.40
Critical illness insurance		92,040.51	(91,838.51)	202.00
Housing funds		10,982,989.07	(10,973,294.00)	9,695.07
Labor union fund and employee education fund	10,569,379.05	2,268,140.62	(3,047,741.53)	9,789,778.14
Other short-term employee benefits	262,172.00	2,016,372.03	(2,277,524.03)	1,020.00
	109,633,590.85	118,732,650.83	(141,687,227.80)	86,679,013.88

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(23) Employee benefits payable (Continued)

(b) Defined contribution plans

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023
Basic pension insurance	499.20	17,065,978.34	(17,064,746.34)	1,731.20
Enterprise annuity payment		7,582,608.04	(7,393,828.72)	188,779.32
Unemployment insurance	6,157.53	535,666.14	(535,476.74)	6,346.93
	6,656.73	25,184,252.52	(24,994,051.80)	196,857.45

The Group shall pay the pension insurance premiums and unemployment insurance premiums to the relevant agencies on a monthly basis according to the payment base and proportion stipulated by the local labour and social security department, and the payment shall not be used to offset the amount that the Group shall pay to its employees in the future.

(24) Taxes payable

	30 June 2023	31 December 2022
Unpaid VAT	1,861,655.88	16,271,144.74
Resource tax payable		1,753,584.81
Corporate income tax payable	3,566.88	873,900.15
Education surcharge payable	98,472.98	818,383.95
City maintenance and construction tax payable	98,230.41	816,768.43
Stamp duty payable	98,143.39	429,265.77
Individual income tax payable	242,003.20	246,817.95
Environmental tariff payable	28,265.00	51,249.68
Others	734,019.65	34,544.41
	3,164,357.39	21,295,659.89

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) Other payables

	30 June 2023	31 December 2022
Payables due to third parties for construction projects	34,130,021.42	43,533,719.15
Payables due to related parties (<i>note 8(6) (e)</i>)	11,243,048.57	16,167,384.66
Payables for the purchase of equipment	8,008,917.17	12,483,054.12
Professional service fee	1,108,334.55	3,147,183.78
Deposits and guarantees	2,240,960.00	1,114,750.00
Interest payable	202,777.77	205,555.55
Dividends payable	320,389,230.00	
Others	22,649,399.02	11,385,524.33
	399,972,688.50	88,037,171.59

As at 30 June 2023, other payables over 1 year with a carrying amount of RMB25,009,710.08 (31 December 2022: RMB36,956,008.28) were mainly payables for construction projects and equipment. Due to the related projects not been finished yet, these payable balances were not settled.

(26) Non-current liabilities due within one year

	30 June 2023	31 December 2022
Long-term payables due within one year (<i>note 4(29)</i>)	44,979,465.96	29,858,317.65
Long-term borrowings due within one year (<i>note 4(26) (a)</i>)	26,800,000.00	25,400,000.00
Lease liabilities due within one year (<i>note 4(28)</i>)	3,852,991.37	3,403,351.39
	75,632,457.33	58,661,669.04

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Borrowings

(a) Long-term borrowings

	30 June 2023	31 December 2022
Unsecured loans	537,800,000.00	546,500,000.00
Less: Long-term borrowings due within one year (note 4(26))	(26,800,000.00)	(25,400,000.00)
	511,000,000.00	521,100,000.00

As at 30 June 2023, the interest rates of long-term borrowings were between 3.65% and 3.70% annually (31 December 2022: between 3.65% and 3.7%).

(b) Short-term borrowings

	30 June 2023	31 December 2022
Unsecured loans	500,000,000.00	450,000,000.00
Discount on domestic letter of credit		
	500,000,000.00	450,000,000.00

On 30 June 2023, the interest rate of unsecured loans was 3.68% (31 December 2022: 3.68%).

(28) Lease liabilities

	30 June 2023	31 December 2022
Lease liabilities	4,914,341.17	7,683,458.57
Less: Lease liabilities due within one year (note 4(26))	(3,852,991.37)	(3,403,351.39)
	1,061,349.80	4,280,107.18

As at 30 June 2023, the Group has no issue leading to potential current cash outflows in the future which is excluded from lease liability.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Long-term payables

	30 June 2023	31 December 2022
Income from transfer of mining right (a)	379,881,293.03	372,194,735.80
Cash stock appreciate right payable (note 9)	10,952,309.12	6,250,956.46
Water/power/air supply and property management	3,615,179.68	3,615,179.68
Less: Long-term payables due within one year (note 4(26))	(44,979,465.96)	(29,858,317.65)
	349,469,315.87	352,202,554.29

According to the notice on printing and distributing the reform plan for mineral resources equity payment system issued by the State Council, the Interim Measures for the collection and management of the income from the transfer of mining rights issued by the Ministry of Finance and the implementation plan for the pilot reform of the transfer system of exploration and mining rights in Xinjiang Uygur Autonomous Region, the Company has evaluated the transfer income of relevant mining rights and the relevant authorities have reviewed and validated the rights to determine the total amount of such rights.

As at June 30, 2023, the Group's income from the transfer of mining right payable in respect of the two copper-nickel mines in Huangshan East and Huangshan in Hami with a present value of RMB379,881,293.03 will be paid to the Department of Natural Resources of the Xinjiang Uygur Autonomous Region by installments over the next 10 years. The company has included the present value of the income from the transfer of mining right into the original value of the mining right of intangible assets

(30) Provisions

	1 January 2023	Increase during this period	Decrease during this period	30 June 2023
Provision for mine closure and environmental restoration	126,980,154.03	2,470,559.39		129,450,713.42

- (i) A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam of Kalatongke Mining, Xinjiang Yakesi and Hami Jubao. Management discounts projected future expenditures to net present value based on prior years' experience and the best estimate of future expenditures required for environmental restoration. This estimated liability may be revised in the future years with the impact of land and environment on mining activities. The associated amount of mine closure and environmental restoration costs will be reviewed and updated annually as appropriate.

The Group prepared a mine geological environment protection and land reclamation plan for the relevant mines in accordance with the "Measures for the Administration of the Mining Geological Environment Treatment and Recovery Fund of the Xinjiang Uygur Autonomous Region" issued by the Department of Natural Resources of the Xinjiang Uygur Autonomous Region in January 2022. The mine geological environment protection and land reclamation costs were recognized as abandonment costs in accordance with the relevant provisions of the Accounting Standards for Business Enterprises and the mine geological environment protection and land reclamation plan and were included in the recorded cost of relevant assets, which were amortized over the estimated life of the mine, including in proportion to production, and was included in the cost of production.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Deferred income

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023		
Government grants	28,614,579.04	406,600.00	(1,310,487.88)	27,710,691.16		
Government grants items	31 December 2022	Increase during this period	Credited into other income (note 4(50))	Credited into non-operating income	30 June 2023	Asset related/ Income related
The Company:						
– Water resource utilisation project	326,666.65		(30,666.00)		296,000.65	Asset related
– Project on concentration of reducing sodium	31,123.35				31,123.35	Asset related
– Special funds for energy conservation	700,000.10		(49,999.98)		650,000.12	Asset related
– Separation and extraction project of sulfur-based nickel cobalt slag	1,343,219.00				1,343,219.00	Asset related
– Central funds for air pollution prevention and control	6,697,000.00				6,697,000.00	Asset related
Sub-total of the Company	9,098,009.10		(80,665.98)		9,017,343.12	
Subsidiaries:						
– Project on energy saving	844,444.67		(56,666.40)		787,778.27	Asset related
– Project on use of well water	270,000.00		(135,000.00)		135,000.00	Asset related
– Project on exploration of No. 2 mine in Kalatongke Mining	5,516,000.86		(131,333.28)		5,384,667.58	Asset related
– Project on technology improvement of nickel smelting	320,833.66		(87,499.98)		233,333.68	Asset related
– General improvement project	160,000.32		(79,999.98)		80,000.34	Asset related
– Subsidies for clean energy	468,000.00				468,000.00	Asset related
– Project on technology improvement of Huangshanxit	881,621.54	406,600.00	(433,266.88)		854,954.66	Asset related
– Online monitoring of pollution sources	40,000.32		(19,999.98)		20,000.34	Asset related
– Government-allocated land-use rights	7,237,334.80		(176,888.94)		7,060,445.86	Asset related
– Gas device for composite desulfurization	2,445,000.04		(27,499.98)		2,417,500.06	Asset related
– Special funds for environmental protection	400,000.29		(39,999.84)		360,000.45	Asset related
– Final stages of mining extension	933,333.44		(41,666.64)		891,666.80	Asset related
Sub-total of Subsidiaries	19,516,569.94	406,600.00	(1,229,821.90)		18,693,348.04	
Total	28,614,579.04	406,600.00	(1,310,487.88)		27,710,691.16	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Deferred income (Continued)

The government grants recognised in profit or loss or deducted against related expenses in the current period are set out as follows:

Government grants items	Nature	Amount Presentation	items
– Project on use of well water	Asset related	135,000.00	Other income
– Project on exploration of No. 2 mine in Kalatongke Mining	Asset related	131,333.28	Other income
– Land use rights	Asset related	176,888.94	Other income
– Project on technology improvement of Huangshanxit	Asset related	433,266.88	Other income
– Project on technology improvement of nickel smelting	Asset related	87,499.98	Other income
– Final stages of mining extension	Asset related	41,666.64	Other income
– General improvement project	Asset related	79,999.98	Other income
– Subsidies for clean energy	Asset related		Other income
– Project on energy saving	Asset related	56,666.40	Other income
– Special funds for energy conservation	Asset related	49,999.98	Other income
– Special funds for environmental protection	Asset related	39,999.84	Other income
– Water resource utilisation project	Asset related	30,666.00	Other income
– Gas device for composite desulfurization	Asset related	27,499.98	Other income
– Online monitoring of pollution sources	Asset related	19,999.98	Other income
– Project on concentration of reducing sodium	Asset related		Other income
		1,310,487.88	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(32) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2023 Deductible temporary differences and deductible losses	Deferred tax assets	31 December 2022 Deductible temporary differences and deductible losses	Deferred tax assets
Unrealised profits	291,561,752.55	43,734,262.88	398,152,555.33	59,722,883.30
Asset impairment losses	156,025,320.23	23,403,798.04	166,490,014.76	24,973,502.21
Environmental restoration deposits	123,740,512.89	18,561,076.94	121,356,538.80	18,203,480.82
Income from transfer of mining right	72,814,887.90	10,922,233.19	80,501,445.13	12,075,216.77
Depreciation of fixed assets	45,546,334.01	6,831,950.11	45,546,334.01	6,831,950.11
Deductible losses	42,418,746.40	6,362,811.96	38,109,799.13	5,716,469.87
Government grants	28,614,579.04	4,292,186.87	28,614,579.04	4,292,186.87
Equity incentive	10,952,309.13	1,642,846.37	6,250,956.47	937,643.47
	771,674,442.15	115,751,166.36	885,022,222.67	132,753,333.42
Including				
Amount expected to be reversed within 1 year (including 1 year)		58,533,730.39		78,424,538.42
Amount expected to be reversed after 1 year		57,217,435.97		54,328,795.00
		115,751,166.36		132,753,333.42

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(32) Deferred tax assets and deferred tax liabilities (Continued)

(b) Deferred tax liabilities before offsetting

	30 June 2023		31 December 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combination involving entities not under common control (i)	400,227,849.39	89,156,452.13	407,426,144.29	90,310,166.43
Provisions	120,062,209.54	18,009,331.43	118,433,682.57	17,765,052.39
Long-term payables	69,913,367.00	10,487,005.05	77,599,924.20	11,639,988.63
Depreciation of fixed assets	25,225,209.13	3,783,781.37	25,225,209.07	3,783,781.36
	615,428,635.06	121,436,569.98	628,684,960.13	123,498,988.81
Including				
Amount expected to be reversed within 1 year (including 1 year)		19,839,840.31		20,410,900.76
Amount expected to be reversed after 1 year		101,596,729.67		103,088,088.05
		121,436,569.98		123,498,988.81

(i) Deferred tax liabilities mainly represented the difference between the fair value and tax base of the mining rights, exploration rights, fixed assets and land use rights arising from the business combination involving entities not under common control.

(c) Deductible temporary differences and deductible losses that are not recognised as deferred tax assets were analysed as follows:

	30 June 2023	31 December 2022
Deductible losses	50,211,883.77	55,325,776.50
Deductible temporary differences		
	50,211,883.77	55,325,776.50

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(32) Deferred tax assets and deferred tax liabilities (Continued)

(d) Deductible losses that are not recognised as deferred tax assets will fall due in the following years:

	30 June 2023	31 December 2022
2023		10,102,401.98
2024	12,718,479.73	12,718,479.73
2025	11,304,876.45	11,304,876.45
2026	12,053,277.56	12,053,277.56
2027	9,146,740.78	9,146,740.78
2028	4,988,509.25	
	50,211,883.77	55,325,776.50

(e) The net balances of deferred tax assets and liabilities after offsetting were as follows:

	30 June 2023		31 December 2022	
	Setoff amount	Balances after offsetting	Setoff amount	Balances after offsetting
Deferred tax assets	32,280,117.85	83,471,048.51	33,188,822.38	99,564,511.04
Deferred tax liabilities	32,280,117.85	89,156,452.13	33,188,822.38	90,310,166.43

(33) Share capital

	30 June 2023		31 December 2022	
	Number of shares	% of issued capital	Number of shares	% of issued capital
Domestic shares	1,259,420,000.00	56.99%	1,259,420,000.00	56.99%
H share holders	950,580,000.00	43.01%	950,580,000.00	43.01%
	2,210,000,000.00	100.00%	2,210,000,000.00	100.00%

The par value of each share is 0.25, and the total share capital is RMB552,500,000.00. There was no movement of the share capital of the Company in the ended 30 June 2023.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Capital reserve

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023
Contribution from Parent Company related to mining right (i)	35,393,957.53			35,393,957.53
Share premium (ii)	4,219,360,899.96			4,219,360,899.96
Others (iii)	3,815,140.27			3,815,140.27
	4,258,569,997.76			4,258,569,997.76

	31 December 2021	Increase during this period	Decrease during this period	31 December 2022
Contribution from Parent Company related to mining right (i)	35,393,957.53			35,393,957.53
Share premium (ii)	4,219,360,899.96			4,219,360,899.96
Others (iii)	3,815,140.27			3,815,140.27
	4,258,569,997.76			4,258,569,997.76

- (i) The difference between the fair value of mining rights acquired from Xinjiang Non-ferrous Group and the present value of the long-term payable for the mining rights was treated as the contribution from Xinjiang Non-ferrous Group to the Company. The capital reserve was formed prior to the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited in 2007.
- (ii) The difference between the paid-in capital and the share capital was recognised in capital reserve as a share premium.
- (iii) Non-ferrous Group provided long-term interest-free borrowings to the Group and the difference between the principal amount of the borrowings and their fair value at initial recognition was recorded as a contribution from the Non-ferrous Group to the Group in the capital reserve, which was repaid in 2017.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Special reserve

	31 December 2022	Current period additions	Current period reductions	30 June 2023
Safety fund (i)		17,040,718.97	(15,035,761.82)	2,004,957.15
	31 December 2021	Current period additions	Current period reductions	31 December 2022
Safety fund (i)		46,907,284.33	(46,907,284.33)	

- (i) Pursuant to Regulation No. [2022]136 issued by the State Administration of Work Safety, Kalatongke Mining, Xinjiang Yakesi and Hami Jubao are required to set aside an amount to a safety fund at 15 (for the six months ended 30 June 2022: RMB10 per ton) per ton of raw ore mined; Kalatongke Mining and Xinjiang Yakesi tailings pond measured as the amount of tailings that put in storage, third level and over than third level tailings are RMB4 per ton (for the six months ended 30 June 2022: RMB1 per ton), fourth level and fifth level are RMB5 per ton (for the six months ended 30 June 2022: RMB1.5 per ton) : at 4.5% (for the six months ended 30 June 2022: 4%) of consumed amount or revenue of vitriol of last year for Zhongxin Mining, Kalatongke Mining and FuKang Refinery; Zhongxin Mining, Fukang Refinery and Kalatongke Mining are required to apply the excess regressive method for the accrual of safety fund based on the refining revenue of last year. The accrual of the safety fund is charged to production cost and credited to a specific reserve. The safety expenditures that are expenses in nature are directly debited to specific reserves. When fixed assets are formed using the special reserve, the special reserve is reduced according to the cost of forming fixed assets, accumulated depreciation of the same amount is recognised, and the related assets will not be depreciated in future periods. Specific reserve expenditures of RMB15,035,761.82 were used for safety-related projects for the six months ended 30 June 2023 (for the six months ended 30 June 2022: RMB16,796,063.23).

(36) Surplus reserve

	31 December 2022	Current period additions	Current period reductions	30 June 2023
Statutory surplus reserve fund	276,250,000.00			276,250,000.00
	31 December 2021	Current period additions	Current period reductions	31 December 2022
Statutory surplus reserve fund	273,273,385.36	2,976,614.64		276,250,000.00

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) Surplus reserve (Continued)

Pursuant to the PRC Company Law and the Company's Articles of Association, every year the Company is required to appropriate 10% of the profit after taxation to the statutory reserve until the balance reaches 50% of the share capital. Subject to the approval, such reserve can be used to offset net losses or to increase share capital. According to the PRC Company Law and the Company's Articles of Association, the Company is allowed to stop appropriating the profit after taxation to the statutory reserve when the balance reaches 50% of the share capital as of June 30, 2023. (2022: RMB2,976,614.64).

(37) Retained earnings/(Accumulated Losses)

	30 June 2023	30 June 2022
Accumulated losses at the beginning of the period	585,709,023.40	(155,968,806.25)
Add: Net profit attributable to the shareholders of the Company for the period	170,403,273.13	609,576,924.08
Less: Appropriation for the statutory surplus reserve fund		
Dividends payable	(331,500,000.00)	
Retained earnings at the end of the year/(Accumulated Losses)	424,612,296.53	453,608,117.83

(38) Revenue and cost of sales

	30 June 2023	30 June 2022
Revenue from the main operation	749,070,424.09	1,718,234,394.58
Revenue from other operation	14,673,699.53	22,554,154.27
	763,744,123.62	1,740,788,548.85
	30 June 2023	30 June 2022
Cost of sales from the main operation	384,267,251.21	927,982,968.10
Cost of sales from other operations	6,078,197.85	4,356,114.77
	390,345,449.06	932,339,082.87

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) Revenue and cost of sales (Continued)

(a) Revenue and cost of sales from the main operation

The Group is principally engaged in sales of nickel, copper and other non-ferrous metal products, all sales are conducted in the PRC.

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Revenue from other operation	Cost of sales from other operations	Revenue from other operation	Cost of sales from other operations
Nickel cathode	592,300,939.74	257,560,963.23	1,296,135,855.80	617,908,444.64
Copper cathode	88,402,038.46	67,956,548.47	320,340,202.39	217,991,190.33
Others	68,367,445.89	58,749,739.51	101,758,336.39	92,083,333.13
	749,070,424.09	384,267,251.21	1,718,234,394.58	927,982,968.10

(b) Revenue and cost of sales from other operations

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Revenue from other operation	Cost of sales from other operations	Revenue from other operation	Cost of sales from other operations
Sales of materials	998,410.60	182,233.10	764,519.43	727,028.63
Sales of board slag, water slag and other waste residues	7,360,711.61	2,486,256.45	7,147,190.23	131,915.22
Building rental	1,599,452.24	2,382,337.44	7,279,469.65	2,385,024.21
Sales of electricity	264,048.40	244,581.03	696,349.19	557,344.16
Orefield heating	85,099.02	72,525.90		
Others	4,365,977.66	710,263.93	6,666,625.77	554,802.55
	14,673,699.53	6,078,197.85	22,554,154.27	4,356,114.77

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(39) Expenses by nature

Cost of sales, selling expenses, general and administrative expenses, and research and development expenses in the income statements were categorized by nature and shown as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Raw materials consumed	183,295,870.58	255,840,983.98
Other production fees	18,572,028.62	18,209,201.25
Employee benefits (note 4(23))	143,916,903.35	151,436,317.99
Depreciation expenses (note 4(11), note 4(12), note 4(14))	146,062,115.96	130,509,919.49
External labour costs	51,633,802.16	111,537,974.23
Electricity costs	28,563,885.46	70,694,058.00
Safety production costs (note 4(35))	17,040,718.97	21,516,179.86
Taxation	2,280,120.06	23,144,032.19
Loading and unloading fee and transportation fee	2,930,212.47	26,389,806.39
Amortisation expenses (note 4(15), note 4(19))	23,356,410.71	19,815,985.91
Office expenses	4,485,053.18	2,708,295.83
Comprehensive support service charge (note 4(42))	1,613,207.52	1,613,207.52
Share-base payment expenses	4,701,352.66	3,921,985.57
Leasing fees	262,637.79	266,822.38
Write-off of provision for the decline in value of inventories (note 4(8) (b))	(10,326,375.85)	(2,630,520.40)
Changes in inventories of work in progress, semi- finished goods and finished goods (note 4(8) (a))	(167,998,794.84)	226,651,656.28
Others	26,681,961.02	11,099,134.37
	477,071,109.82	1,072,725,040.84

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(40) Taxes and surcharges

	Six months ended 30 June 2023	Six months ended 30 June 2022	Tax base
Resource tax	5,519,426.87	12,224,064.17	<i>note 3</i>
Property tax	5,105,505.05	6,183,984.45	<i>note 3</i>
Education surcharge	3,879,145.18	6,727,491.26	<i>note 3</i>
City maintenance and construction tax	3,390,801.93	5,662,997.41	<i>note 3</i>
Land use tax	1,908,997.93	1,871,794.76	
Stamp tax	489,613.69	1,311,572.65	
Others	67,183.04	62,936.04	
	20,360,673.69	34,044,840.74	

(41) Selling expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Loading and unloading fee and transportation fee	1,318,690.21	5,120,092.63
Employee benefits	2,296,703.88	1,768,573.75
Travel and administrative expenses	16251.48	57,569.75
Depreciation	34,760.58	34,914.60
Others	241,199.85	278,058.56
	3,907,606.00	7,259,209.29

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(42) General and administrative expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Employee benefits	42,600,013.78	39,744,711.86
Depreciation and amortisation	11,507,027.25	10,093,892.88
Professional service fee	2,258,678.22	2,649,853.14
Office expenses	4,113,368.56	3,650,726.97
Comprehensive support service charge	1,613,207.52	1,613,207.52
Leasing fees	262,637.79	266,822.38
Others	7,935,988.94	12,117,397.23
	70,290,922.06	70,136,611.98

(43) Research and development expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Material consumption	6,148,734.75	58,420,417.06
Employee benefits	4,217,448.12	1,603,728.44
Depreciation of fixed assets	11,384.68	2,081,791.85
Professional fees		38,721.58
Inspection and testing cost	2,149,565.15	845,477.77
	12,527,132.70	62,990,136.70

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(44) Financial expenses – net

	Six months ended 30 June 2023	Six months ended 30 June 2022
Interest expense on borrowings	19,725,084.91	25,351,693.71
Add: Interest expense on lease liabilities	66,723.88	96,542.69
Less: Capitalised interest expenses (note 4(13) (a))		
Interest expenses	19,791,808.79	25,448,236.40
Less: Interest income	(7,926,840.67)	(6,384,411.23)
Bank charges	34,186.84	81,256.15
Net discounted interest	10,158,116.62	6,925,745.87
	22,057,271.58	26,070,827.19

(45) Asset impairment losses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Provision for the decline in value of inventories (note 4(18))		4,054,592.12

(46) Credit impairment losses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Losses of bad debts for accounts receivable (note 4(18))	(138,318.68)	(47,496.13)
Losses of bad debts for other receivables (note 4(18))		(8,780.88)
	(138,318.68)	(56,277.01)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(47) Gains/(losses) on changes in fair value

	Six months ended 30 June 2023	Six months ended 30 June 2022
Derivative financial assets and derivative financial liabilities – Metal trading contract	(20,486,134.51)	

(48) Investment income/(losses)

	Six months ended 30 June 2023	Six months ended 30 June 2022
Net profit from a joint venture under equity method <i>(note 4(10) (a))</i>	225,463.28	32,347,943.41
Unrealised net profit between the joint venture and the Group	(16,802,129.34)	29,719,086.22
Investment income from the disposal of financial assets	142,502.74	145,245.21
	(16,434,163.32)	62,212,274.84

The Group does not have significant restrictions on investment income repatriation.

(49) Gains on the disposal of assets

	Six months ended 30 June 2023	Six months ended 30 June 2022	Amount recognised in non-recurring profit or loss for Six months ended 30 June 2023
Gains and losses on disposal of fixed assets		449,885.20	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(50) Other income

	Six months ended 30 June 2023	Six months ended 30 June 2022	Asset related/ Income related
Special subsidy funds for energy conservation and emission reduction	218,333.16	616,499.04	Asset related
Special funds for technological transformation	915,265.78	113,333.28	Asset related
Others	176,888.94	104,888.94	Asset related
Sub-total	1,310,487.88	834,721.26	
Enterprise social security subsidy			
Income related	2,314,132.42	2,050,517.32	Income related
Return of value-added tax	18,000.00	450,000.00	Income related
Others	165,889.55	542,323.02	Income related
Sub-total	2,498,021.97	3,042,840.34	
Total	3,808,509.85	3,877,561.60	

(51) Non-operating income

	Six months ended 30 June 2023	Six months ended 30 June 2022	Amount recognised in non-recurring profit or loss for Six months ended 30 June 2023
Government grants (a)		740,000.00	
Others	283,146.38	565,038.81	283,146.38
	283,146.38	1,305,038.81	283,146.38

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(51) Non-operating income

(a) Details of government grants

	Six months ended 30 June 2023	Six months ended 30 June 2022	Asset-related/ Income related
High-quality introduction of foreign investment projects supported by Urumqi Finance		740,000.00	Income-related

(52) Non-operating expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022	Amount recognised in non-recurring profit or loss for Six months ended 30 June 2023
Losses on scrap of fixed assets	103.15	233,596.52	103.15
Penalties and fines	18,317.14	304,109.85	18,317.14
Donations	10,000.00	500,000.00	10,000.00
Others	451,231.52	69,240.40	451,231.52
	479,651.81	1,106,946.77	479,651.81

(53) Income tax expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Current income tax	25,842,504.23	89,820,524.25
Deferred income tax	14,939,748.23	(28,810,585.06)
	40,782,252.46	61,009,939.19

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(53) Income tax expenses (Continued)

The reconciliation from income tax calculated based on the applicable tax rates and total loss presented in the consolidated financial statements to the income tax expenses was listed as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Consolidated total profit	211,085,093.80	670,687,338.65
Income tax expenses calculated at the statutory income tax rate of 25%	52,771,273.43	167,671,834.67
Effect of tax deductions	27,278,511.08	(65,942,410.05)
Effect of tax rate change on income tax		
Non-taxable income	(15,840.65)	(5,020,768.21)
Costs, expenses and losses not deductible for tax purposes	1,447,943.55	4,053,294.86
Deductible losses for which no deferred tax assets have been recognised in the current period	748,276.39	255,182.71
Utilisation of deductible losses not recognised as deferred tax assets in previous years	(41,447,911.35)	(40,007,194.79)
	40,782,252.46	61,009,939.19

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(54) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net loss for the current year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue of the Company:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Consolidated net profit attributable to ordinary shareholders of the Company	170,403,273.13	609,576,924.08
Weighted average number of ordinary shares in issue of the Company	2,210,000,000.00	2,210,000,000.00
Basic earnings per share	0.077	0.276
Including :		
– Basic earnings per share under going concern	0.077	0.276
– Basic earnings per share under discontinued operation		

(b) Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit attributable to shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue of the Company. As there were no dilutive potential ordinary shares for the six months ended 30 June 2023 (for the six months ended 30 June 2022: none), diluted earnings per share equal to basic earnings per share.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(55) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	Six months ended 30 June 2023	Six months ended 30 June 2022
Restricted cash at bank		20,598,938.95
Recovery of transfer of receivables		
Interest income	7,926,840.67	6,384,411.23
Government grants received	2,543,843.48	6,011,240.34
Others	5,521,876.38	1,115,021.31
	15,992,560.53	34,109,611.83

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2023	Six months ended 30 June 2022
Loading and unloading fee and transportation fee	2,930,212.47	5,141,288.16
Professional service fee	2,258,678.22	2,655,193.71
Research service fee	765,572.37	2,281,772.51
Machine material repair cost	4,369,635.60	4,799,793.90
Office expenses	2,894,293.44	5,805,432.23
Comprehensive support service charge	1,613,207.52	1,613,207.52
Greening fee	615,715.00	710,369.61
Leasing fees	262,637.79	318,972.06
Bank charges	34,186.84	81,256.15
Vehicle transport costs	1,091,593.53	1,645,238.05
Restricted cash at bank	240,990.65	
Others	4,836,950.59	10,504,788.06
	21,913,674.02	35,557,311.96

(c) Cash paid relating to other financing activities

	Six months ended 30 June 2023	Six months ended 30 June 2022
Payment of lease liabilities	2,843,489.04	919,890.51

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(56) Cash flow statement supplement

(a) Reconciliation from consolidated net profit to cash flows from operating

	Six months ended 30 June 2023	Six months ended 30 June 2022
Consolidated Net Profit	170,302,841.34	609,677,399.46
Adjustment: Provisions for asset impairment (note 4(45))		4,054,592.12
Credit impairment Loss	(138,318.68)	(56,277.01)
Depreciation expenses (note 4(11), note 4(12)), note 4(14))	146,062,115.96	130,509,919.49
Amortisation expenses (note 4(15))	23,039,671.07	19,815,985.91
loss on disposal of fixed assets	103.15	(216,288.68)
(Increase)/Decrease in deferred tax assets (note 4(32))	16,093,462.53	(28,670,039.26)
Decrease in deferred tax liabilities (note 4(32))	(1,153,714.30)	(1,153,714.21)
Increase/(decrease) in deferred income (note 4(31))	(903,887.88)	1,393,678.74
Financial expenses (note 4(44))	29,949,925.41	32,373,982.27
Amortisation of long-term prepaid expenses	316,739.64	99,999.99
Investment gains (note 4(48))	16,434,163.32	(62,212,274.84)
Decrease in inventories	(130,125,260.26)	228,176,499.90
Gains and losses on changes in fair value	20,486,134.51	
Utilisation of safety fund	2,004,957.15	4,720,116.63
Increase in operating receivables	(129,492,866.55)	(159,877,644.60)
Decrease in operating payables	(90,224,358.15)	(174,408,637.24)
Decrease in restricted cash at banks	(240,990.65)	20,598,938.95
Net cash flows generated from operating activities	72,410,717.61	624,826,237.62

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(56) Cash flow statement supplement (Continued)

(a) Reconciliation from consolidated net profit to cash flows from operating (Continued)

Operating and investing activities not involved in cash

	Six months ended 30 June 2023	Six months ended 30 June 2022
Purchasing inventories paid by bank acceptance notes	122,649,077.94	478,335,997.12
Purchasing long-term assets paid by bank acceptance notes	122,534,132.00	70,590,442.73
	245,183,209.94	548,926,439.85

The net movement of cash and cash equivalents

	Six months ended 30 June 2023	Six months ended 30 June 2022
Cash and cash equivalents at the end of period (b)	87,198,685.41	782,713,986.66
Less: Cash and cash equivalents at the beginning of period	(621,470,686.87)	(376,577,078.14)
Net increase in cash and cash equivalents	708,669,372.28	406,136,908.52

(b) Cash and cash equivalents

	30 June 2023	31 December 2022
Cash	708,669,372.28	621,470,686.87
Including: Cash on hand	370.81	370.81
Unrestricted cash at bank	708,669,001.47	621,470,316.06
Cash and cash equivalents at end of year	708,669,372.28	621,470,686.87

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

5 EQUITY IN OTHER ENTITIES

(1) Investments in subsidiaries

(a) The constitutions of business combinations

Name of subsidiaries	Type of legal entity	Main operation place	Place of registration	Nature of business	Issued Share capital	% equity interest held by the Group		Methods of investments
						Direct	Indirect	
Mengxi Mining	LLC	Hami, the PRC	Hami, the PRC	Mining	15,918,400.00	51%		Through establishment or investment
Kalatongke Mning	LLC	Fuyun, the PRC	Fuyun, the PRC	Mining and smelting	1,230,000,000.00	100%		Through establishment or investment
Beijing Xinding	LLC	Beijing, the PRC	Beijing, the PRC	Research and development, and property management	145,000,000.00	100%		Through establishment or investment
Xinjiang Yakesi Co., Ltd.		Hami, the PRC	Hami, the PRC	Mining	500,000,000.00	99.51%	0.49%	Business combinations not under common control
Hami Jubao	LLC	Hami, the PRC	Hami, the PRC	Mining	120,000,000.00	98.96%	1.04%	Business combinations not under common control
Zhongxin Mining	LLC	Hami, the PRC	Hami, the PRC	Smelting	120,000,000.00	97.58%		Business combinations not under common control
Shaanxi Xinxin	LLC	Shangnan, the PRC	Shangnan, the PRC	Mining	10,000,000.00	51%		Business combinations not under common control

There is no significant restriction on using the Group's assets or paying off the Group's debt. There are no debentures issued by the Group.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 EQUITY IN OTHER ENTITIES (CONTINUED)

(1) Investments in subsidiaries (Continued)

(b) Subsidiaries with non-controlling interests rights

Name of subsidiaries	% equity interest held by non-controlling shareholders	ended Amount of gains or losses attributed to non-controlling shareholders for six months ended 30 June 2023	Dividend declared/ allocated to non-controlling shareholders for six months ended 30 June 2023	Non-controlling interests 30 June 2023
Zhongxin Mining	2.42%	(90,893.39)		(5,104,513.97)
Shaanxi Xinxin	49.00%	(77,835.06)		18,512,236.10
Mengxi Mining	49.00%	68,296.66		3,128,660.07
		(100,431.79)		16,536,382.2

The main financial information of the above subsidiaries with significant non-controlling rights was as follows:

Name of subsidiaries	30 June 2023					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhongxin Mining	43,811,734.03	80,765,799.13	124,577,533.16	43,228,048.94	213,909,652.98	257,137,701.92
Shaanxi Xinxin	295,697.02	74,645,630.87	74,941,327.89	22,258,909.58	14,902,344.64	3,716,1254.22
Mengxi Mining	11,869,987.45		11,869,987.45	5,484,966.88		5,484,966.88

Name of subsidiaries	31 December 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhongxin Mining	68,519,426.34	81,823,366.89	150,342,793.23	67,240,284.60	214,162,214.63	281,402,499.23
Shaanxi Xinxin	291,931.56	74,646,226.85	74,938,158.41	22,096,893.04	14,902,344.64	36,999,237.68
Mengxi Mining	11,727,283.19		11,727,283.19	5,481,643.56		5,481,643.56

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

5 EQUITY IN OTHER ENTITIES(CONTINUED)

(1) Investments in subsidiaries(Continued)

(b) Subsidiaries with non-controlling interests rights (Continued)

Name of subsidiaries	Six months ended 30 June 2023			
	Revenue	Net profit/ (loss)	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	1,057,559.64	(2,105,844.38)	(2,105,844.38)	(4,118,464.52)
Shaanxi Xinxin		(158,847.06)	(158,847.06)	(5,004.40)
Mengxi Mining		139,380.94	139,380.94	201.52

Name of subsidiaries	Six months ended 30 June 2022			
	Revenue	Net profit/ (loss)	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	51,387,012.15	4,677,671.35	4,677,671.35	(6,307,646.46)
Shaanxi Xinxin		(158,074.98)	(158,074.98)	(14,456.94)
Mengxi Mining		140,525.52	140,525.52	(3,216.65)

(2) Interests in joint-venture

(a) Basic information for important joint venture

Name of joint-venture	The main premise	Place of registration	Nature of business	Strategic effects To group operations	% equity interest held by the Group	
					Direct	Indirect
Hexin Mining	Hami, the PRC	Hami, the PRC	Mining	Yes	50%	

The Group adopted the equity method for the above investment.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

5 EQUITY IN OTHER ENTITIES (CONTINUED)

(2) Interests in joint-venture (Continued)

(b) Key financial information of the joint venture

	30 June 2023	31 December 2022
Current assets	122,724,737.18	133,551,596.93
Including: Cash and cash equivalents	42,089,590.61	19,893,865.07
Non-current assets	450,890,269.41	464,804,287.32
Total assets	573,615,006.59	598,355,884.25
Current liabilities	(166,429,518.57)	(169,721,323.57)
Non-current liabilities	(55,077,733.80)	(56,077,733.86)
Total liabilities	(221,507,252.37)	(225,799,057.43)
Owners' equity	352,107,754.22	372,556,826.82
Share of net assets (i)	176,053,876.61	186,278,413.41
Adjustments		
– Goodwill	44,668,386.35	44,668,386.35
– Offset of unrealised gains	(18,146,045.93)	(1,343,916.56)
Book value of the investment of joint venture	202,576,217.03	229,602,883.20
Fair value of investments in joint ventures with publicly quoted prices	–	–

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

5 EQUITY IN OTHER ENTITIES (CONTINUED)

(1) Interests in joint-venture(Continued)

(b) Key financial information of the joint venture(Continued)

	Six months ended 30 June 2023	Six months ended 30 June 2022
Revenue	69,633,221.96	144,364,724.68
Financial expenses	(2,030,002.43)	(2,619,214.56)
Net profit	1,550,926.56	66,895,886.82
Other comprehensive income		
Total comprehensive profit	1,550,926.56	66,895,886.82
Dividends received from joint venture	11,000,000.00	22,000,000.00

- (i) The Group, based on the amount assigned to the Company in the financial statements of joint venture calculates asset share in proportion to the number of shares owned. The amount in the financial statements of the joint venture has taken the fair value of identifiable assets and liabilities of the investee joint venture into consideration.

6 SEGMENT INFORMATION

The Group are engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. Based on the Group's internal organisational structure, management requirements, internal reporting policies, and the segment reporting requirements stipulated by No. 3 Interpretation of Accounting Standards for Business Enterprises, the management of the Group considers the Group itself as one operating segment.

For six months ended 30 June 2023 and 2022, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the six months ended 30 June 2023, the revenue of the top three customers of the Group accounted for 37%, 23% and 17% of the total revenue of the Group respectively (for the six months ended 30 June 2022: 54%, 18% and 11%)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)*

7 CONTINGENCIES

(1) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except as disclosed in note 4(30), the Group is presently not involved in any other environmental remediations and has not accrued any other amounts for environmental remediation relating to its operations. Under existing legislation, the management of the Company believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites (including, but not limited to mines and land development areas, whether operating, closed or sold); (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present and could be material.

(2) Insurance

The Group carries commercial insurance for its employees who work underground for personal injury and its mining equipment underground. However, such insurance may not be sufficient to cover the potential future losses. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, the management of the Company believes this can have a material adverse impact on the results of operations or the financial position of the Group.

(3) Guarantee provided

Please refer to note 8(5) (h)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information about the parent company

(a) Basic information about the parent company

	Place of registration	Type of business
Xinjiang Non-ferrous Group	Urumqi, China	Mining, smelting and processing of nonferrous and precious metals

The Company's ultimate controlling party is Xinjiang Non-ferrous Group, whose place of registration is Urumqi, China.

(b) Registered capital and changes in registered capital of the parent company

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023
Xinjiang Non-ferrous Group	1,580,356,129.00			1,580,356,129.00

(c) The proportion of equity interests and voting rights in the Company held by the parent company

	30 June 2023 % interests held and % voting rights	31 December 2022 % interests held and % voting rights
Xinjiang Non-ferrous Group	40.06%	40.06%

(2) Information of subsidiaries

Please refer to note 5(1)

(3) Information of joint-venture

Please refer to note 5(2)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Other related party information

Name of related parties	Relationship with the Group
Fukang Juxin Industrial and Trade Co., Ltd.	Associate of Xinjiang Non-ferrous Group
Xinjiang QianXin Mining Co., Ltd.	Associate of Xinjiang Non-ferrous Group
Xinjiang Huachuang TianYuan Industrial Co., Ltd.	Associate of Xinjiang Non-ferrous Group
Xinjiang Non-ferrous Construction Inspection Centre Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xinshengtong Trade Co., Ltd. Xinjiang Non-ferrous Metal Industry (Group)	Fellow subsidiary
Quanxin Mining & Metallurgy Machinery Manufacturing Co., Ltd.	Fellow subsidiary
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industry Group Rare Metal Co., Ltd.	Fellow subsidiary
Fukang Non-ferrous Development Co., Ltd. Xinjiang Non-ferrous Metal Industry (Group)	Fellow subsidiary
Fuyun Xingtong Service Co., Ltd.	Fellow subsidiary
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary
Beijing Baodi Xindi Kemao Co., Ltd. Xinjiang Non-ferrous Metal Industry (Group)	Fellow subsidiary
Quanxin Construction Co., Ltd.	Fellow subsidiary
Xinjiang Dongsanhuan Trading Co., Ltd.	Fellow subsidiary
The Western Gold Hami Gold Mine Co., Ltd.	Fellow subsidiary
Xinjiang Zhanxin Fire Insulation Materials Co., Ltd.	Fellow subsidiary
Fukang Non-ferrous Property Management Co., Ltd.	Fellow subsidiary
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	Fellow subsidiary
Xinjiang Wuxin Copper Co., Ltd.	Fellow subsidiary
Hami Jinhui Real Estate Development Co., Ltd.	Fellow subsidiary
Xinjiang Jinhui Real Estate Development Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Research Institute	Fellow subsidiary
Non-ferrous Industry Group MingYuanZhiYe Co., Ltd.	Fellow subsidiary
Akto Kebang Manganese Industry Co., Ltd.	Fellow subsidiary
Urumqi Congxin Human Resource Service Co., Ltd. Xinjiang Non-ferrous Metal Industry (Group)	Fellow subsidiary
Lanzuan Trading Co., Ltd.	Fellow subsidiary
Urumqi Asia Europe Rare Metals Co., Ltd.	Fellow subsidiary
Xinjiang Yibao Mineral Resources Resource Development Co., Ltd.	Fellow subsidiary
Hami Hexin Mining Industry Co., Ltd.	Joint venture

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions

(a) Pricing policy of transactions with related party

The prices of sales to related parties, purchases from related parties, provision of services by related parties and lease of properties from related parties were based on market price or agreement price.

(b) Purchases of materials from related parties

	Six months ended 30 June 2023	Six months ended 30 June 2022
Associate of Xinjiang Non-ferrous Group/ Fellow subsidiary purchase of raw materials/ equipment consumables		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	2,415,734.72	352,875.82
Xinjiang Dongsanhuan Trading Co., Ltd.	8,501,880.88	
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	360,745.13	323,427.43
Fukang Non-ferrous Development Co., Ltd.	269,355.34	9,139,997.72
Xinjiang Non-ferrous Metal Industry (Group) Lanzuan Trading Co., Ltd.	2,146,409.82	1,859,043.06
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	1,919,433.32	
The Western Gold Hami Gold Mine Co., Ltd.	63,489.64	
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xinshengtong Trade Co., Ltd.	218,981.78	
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Mining & Metallurgy Machinery Manufacturing Co., Ltd.	441,350.44	
Purchase of building Xinjiang Jinhui	3,692,310.09	
	20,029,691.16	11,675,344.03
Joint venture		
Purchase of nickel powder Hexin Mining	47,435,714.63	115,454,136.68
	67,465,405.79	127,129,480.71

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(c) Receiving of services from related parties

	Six months ended 30 June 2023	Six months ended 30 June 2022
Associate of Xinjiang Non-ferrous Group/ Fellow subsidiary		
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	15,658,933.59	24,877,722.63
Transportation services		
Fukang Non-ferrous Development Co., Ltd. Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	2,946,402.00	9,150,093.18
	914,130.87	240,191.72
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,120,701.02	272,559.97
Urumqi Congxin Human Resource Service Co., Ltd.	1,517,830.32	949,213.69
Xinjiang Non-ferrous Metal Research Institute Co., Ltd	413,814.35	211,601.87
Fukang Non-ferrous Development Co., Ltd.	17,142.86	
Fukang Non-ferrous Property Management Co., Ltd.	7,891.91	
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	2,681,455.73	1,613,207.52
	25,278,302.65	37,314,590.58

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(d) Sale of products and energy to related parties

	Six months ended 30 June 2023	Six months ended 30 June 2022
Associate of Xinjiang Non-ferrous Group/ Fellow subsidiary		
Xinjiang Wuxin Copper Co., Ltd.	48,452,642.36	30,285,791.34
Fuyun Hengsheng Beryllium Industry Co., Ltd.	3,988,240.68	13,679,714.64
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	8,719,999.05	7,049,979.50
Xinjiang Non-ferrous Metal Industry (Group) Lanzuan Trading Co., Ltd.	3,983,428.65	7,431,361.40
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	387,061.22	
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,529.41	
Urumqi Asia Europe Rare Metals Co., Ltd.		225,159.29
	65,532,901.37	58,672,006.17
Joint venture		
Hexin Mining		3,555,180.47
	65,532,901.37	62,227,186.64

(e) Rendering of services

	Six months ended 30 June 2023	Six months ended 30 June 2022
Associate of Xinjiang Non-ferrous Group/ Fellow subsidiary		
Xinjiang Wuxin Copper Co., Ltd.	318,135.85	
	318,135.85	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(f) Lease

Rental income in the current year with the Group as the lessor:

Name of lessee	Type of rental assets	Recognised lease income within six months ended 30 June 2023	Recognised lease income within six months ended 30 June 2022
Xinjiang Zhanxin Fire Isolation Materials Co., Ltd.	Land-use right		21,510.00

(g) Lease

Right-of-use assets in the current year with the Group as the lessee:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Xinjiang Non-ferrous Metal Research Institute Co., Ltd.	110,796.00	919,890.51

Lease liabilities paid by the Group as the lessee in the current year:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Xinjiang Non-ferrous Metal Research Institute Co., Ltd	46,219.88	52,149.69

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(h) Guarantee

The Group as the guarantor:

Name of Company	Amount of bank loans and bank acceptance notes guaranteed amount	Starting date	Ending date	Fulfilled or not
Hexin Mining	27,500,000.00	27/09/2021	27/09/2023	No
Hexin Mining	25,000,000.00	16/03/2023	16/03/2024	No
Total	52,500,000.00			

(i) Use of registered trademark

Pursuant to the trademark agreements with Xinjiang Non-ferrous Group, the Group has the right to use the registered trademark of "Bo Feng" at no cost from 1 January 2019 to 20 March 2029.

(j) Remuneration of key management

	Six months ended 30 June 2023	Six months ended 30 June 2022
Remuneration of key management	1,660,521.49	1,562,135.39

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(k) Benefits and interests of directors (Continued)

(i) Directors, supervisors and chief executive officer's emoluments

Directors, supervisors and executive officer's emoluments for the six months ended 30 June 2023 were as follows:

Name	Fee	Salary and allowance	Pension	Bonus	Welfare	Emoluments for managing company and its subsidiaries or providing other services	Total
Directors:							
Qi Xinhui		177,280.00	20,416.32				197,696.32
Yu Wenjiang		92,007.48	20,416.32				112,423.80
Zhang Guohua ¹							
Guo Quan ²							
Wang Lijian ³							
Zhou Chuanyou							
Hu Chengye							
Independent Directors:							
Hu Benyuan	35,000.00						35,000.00
Wang Qingming	35,000.00						35,000.00
Lee Tao Wai	58,500.00						58,500.00
Supervisors:							
Meng Guojun	20,000.00						20,000.00
Shi Keli		75,665.00	18,485.76				94,150.76
Shan Zhengzhong		103,059.01	20,416.32				123,475.33
Yao Wenying	20,000.00						20,000.00
Zhong Rubiao							
Senior management:							
Lam Cheuk Fai		318,000.00					318,000.00
Li Zhenzhen		114,340.00	20,416.32				134,756.32
He Hongfeng		155,590.00	20,416.32				176,006.32
Dong Guoqing		147,340.00	20,416.32				167,756.32
Shagenbieke		147,340.00	20,416.32				167,756.32
Total	168,500.00	1,330,621.49	161,400.00				1,660,521.49

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(k) Benefits and interests of directors (Continued)

(i) Directors, supervisors and chief executive officer's emoluments(Continued)

Directors, supervisors and executive officer's emoluments for the six months ended 30 June 2022 were as follows:

Name	Fee	Salary and allowance	Pension	Bonus	Emoluments for managing company and or providing other services	Total
Directors:						
Qi Xinhui		162,247.50	18,809.28			181,056.78
Yu Wenjiang		167,420.00	18,809.28			186,229.28
Zhang Guohua ¹						
Zhou Chuanyou						
Hu Chengye						
Guo Quan						
Wang Lijian ²						
Independent Directors:						
Hu Benyuan	35,000.00					35,000.00
Wang Qingming	35,000.00					35,000.00
Lee Tao Wai	55,250.00					55,250.00
Supervisors:						
Meng Guojun	20,000.00					20,000.00
Shi Keli		78,610.00	18,809.28			97,419.28
Shan Zhengzhong		84,963.65	18,809.28			103,772.93
Yao Wenyong	20,000.00					20,000.00
Zhong Rubiao						
Senior management:						
Lam Cheuk Fai		198,000.00				198,000.00
Li Zhenzhen		111,980.00	18,809.28			130,789.28
He Hongfeng		153,230.00	18,809.28			172,039.28
Dong Guoqing		144,980.00	18,809.28			163,789.28
Shagenbieke		144,980.00	18,809.28			163,789.28
Total	165,250.00	1,246,411.15	150,474.24			1,562,135.39

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(k) Benefits and interests of directors (Continued)

(i) *Directors, supervisors and chief executive officer's emoluments(Continued)*

¹ Resigned as non-executive director on June 2, 2022

² Appointed as chairman of the board of directors on June 2, 2022

³ Appointed as non-executive director on June 2, 2022

(ii) For the six months ended 30 June 2023, there were no retirement benefits for the directors (for the six months ended 30 June 2022: Nil).

(iii) For the six months ended 30 June 2023, there were no termination benefits for the directors (for the six months ended 30 June 2022: Nil).

(iv) For the six months ended 30 June 2023, there was no consideration provided to third parties for making available directors' services (for the six months ended 30 June 2022: Nil).

(v) For the six months ended 30 June 2023, there were no loans, quasi-loans and other transactions in favour of directors, controlled body corporate of directors, and connected entities of directors(for the six months ended 30 June 2022: Nil).

(vi) No significant transactions, arrangements or contracts related to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted For the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(k) Benefits and interests of directors (Continued)

(vii) *The five highest-paid individuals*

The 5 individuals whose emoluments were the highest in the Group for the six months ended 30 June 2023 included 1 directors (for the six months ended 30 June 2022: 2 directors) whose emoluments were reflected in the analysis presented above. The emoluments payable of the remaining 4 (for the six months ended 30 June 2022: 3) individuals during the year were as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Basic salaries, bonus, housing allowance, other allowances in kind	768,270.00	496,210.00
Bonus	61,248.96	37,618.56
Pension		
	829,518.96	533,828.56

	Number of individuals	
	Six months ended 30 June 2023	Six months ended 30 June 2022
Emolument bands:		
HKD0–1,000,000 (approximately RMB0–855,190)	4	3

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Receivables from and payables to related parties

Receivables from related parties:

(a) Accounts receivable (note 4(4))

	30 June 2023		31 December 2022	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xinjiang Wuxin Copper Co., Ltd.	6,070,217.29	(284,318.34)	8,771,940.36	(436,041.41)
Fuyun Hengsheng Beryllium Industry Co. Ltd.	1,154,832.10	(1,096,329.19)	1,243,512.10	(1,156,329.19)
Xinjiang Non-ferrous Metal Industry (Group) Lanzuan Trading Co., Ltd.	624,114.40	(3,102.66)	462,920.80	(4,798.02)
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	(301,201.70)	301,201.70	(301,201.70)
	8,150,365.49	(1,684,951.89)	10,779,574.96	(1,898,370.32)

(b) Other receivables (note 4(7))

	30 June 2023		31 December 2022	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Hami Jinhui Real Estate Development Co., Ltd.	9,533,449.20	(372,677.46)	13,558,067.20	(372,677.46)
Fuyun Hengsheng Beryllium Industry Co., Ltd.	329,523.12	(9,964.18)	464,464.98	(9,964.18)
Hexin Mining	100,986.30	(2,166.46)	252,463.55	(5,436.04)
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.			43,761.25	(1,202.89)
	9,963,958.62	(384,808.10)	14,318,756.98	(389,280.57)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(6) Receivables from and payables to related parties (Continued)

(c) Advances to suppliers to related parties :

	30 June 2023	31 December 2022
Xinjiang Dongsanhuan Trading Co., Ltd.		5,457,803.45
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	23,443,706.74	700,000.00
Fukang Non-ferrous Development Co., Ltd.	165,000.00	
Hexin Mining	9,829,504.26	
	33,438,211.00	6,157,803.45

(d) Payables from related parties: Accounts payable

	30 June 2023	31 December 2022
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	9,566,417.20	21,994,811.18
Hexin Mining		16,245,277.00
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	6,729,884.56	5,488,040.61
Xinjiang Non-ferrous Metal Industry (Group) Lanzuan Trading Co., Ltd.	1,227,523.66	5,120,449.60
Fukang Non-ferrous Development Co., Ltd.	977,836.26	3,317,347.11
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.		2,135,496.28
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Mining & Metallurgy Machinery Manufacturing Co. Ltd.	2,257,363.30	1,530,274.00
Xinjiang Huachuang TianYuan Industrial Co., Ltd.		1,277,375.21
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xinshengtong Trade Co., Ltd.	250,081.95	622,632.55
Urumqi Congxin Human Resource Service Co., Ltd.		249,580.80
Beijing Baodi Xindi Kemao Co., Ltd.		84,088.90
The Western Gold Hami Gold Mine Co., Ltd.		14,737.00
Xinjiang Non-ferrous Metal Research Institute Co., Ltd.	31,340.00	13,600.00
Xinjiang Dongsanhuan Trading Co., Ltd.	304,349.20	
Xinjiang Non-ferrous Construction Inspection Centre Co., Ltd.	67,989.00	
	21,412,785.13	58,093,710.24

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(6) Receivables from and payables to related parties (Continued)

(e) Other payables (note 4(25))

	30 June 2023	31 December 2022
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	10,197,395.04	14,246,002.13
Xinjiang Non-ferrous Group		500,000.00
Fukang Non-ferrous Development Co., Ltd.	500,000.00	500,000.00
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Mining & Metallurgy Machinery Manufacturing Co.	500,000.00	500,000.00
Xinjiang Non-ferrous Metal Research Institute Co., Ltd		257,740.00
Xinjiang Non-ferrous Construction Inspection Centre Co., Ltd.		117,989.00
MingYuanZhiYe Co., Ltd.	44,914.32	44,914.32
Xinjiang Huachuang TianYuan Industrial Co., Ltd.	739.21	739.21
	11,243,048.57	16,167,384.66

(f) Contract liabilities

	30 June 2023	31 December 2022
Xinjiang Wuxin Copper Co., Ltd.	10,589,322.96	1,954,401.08
Fuyun Hengsheng Beryllium Industry Co., Ltd.	71,226.27	204,384.06
Xinjiang Non-ferrous Metal Industry (Group) Lanzuan Trading Co., Ltd.	728,752.51	
	11,389,301.74	2,158,785.14

(g) Lease liabilities

	30 June 2023	31 December 2022
Xinjiang Non-ferrous Metal Research Institute Co., Ltd	2,186,799.47	2,251,375.59

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

9 SHARE-BASED PAYMENT

(1) Stock Appreciation Rights Incentive Plan

(a) Summary

According to the "Xinjiang Xinxin Mining Co., Ltd. 2021 H Share Appreciation Rights Incentive Plan" (the "Incentive Plan") approved by the general meeting of shareholders held on October 29, 2021, the Company will provide 150 Xinjiang Xinxin Middle and Senior Management Personnel and other identified core key personnel ("incentive objects") implement the stock appreciation rights incentive plan, and a total of 63,500,000 stock appreciation rights are granted to the incentive objects. The exercise price of the stock appreciation right is RMB1.58 per share, and the incentive object can exercise the right in the next 36 months after 24 months of service from the grant date, with 33%, 33%, and 34% of the awards unlocking upon meeting certain performance condition (October 29, 2021). The stock appreciation rights are valid for 5 years from October 29, 2021.

(b) Statement of Changes in Share Appreciation Rights during the Period

	Six months ended 30 June 2023
Shares of stock appreciation rights issued at the beginning of the year	63,500,000.00
Shares of stock appreciation rights granted this year	
Shares of stock appreciation rights exercised this year	
Shares of stock appreciation rights lapsed this year	
Shares of stock appreciation rights issued at the end of the year	63,500,000.00
Share-based payment expense for the year	4,701,352.66
Accumulated share-based payment fees	10,952,309.12

(c) The exercise price of the stock appreciation rights issued at the end of the period was RMB1.58. As of 30 June 2023, the remaining term of the stock appreciation rights contract is 3 years 4 months until October 29, 2026.

(d) No share appreciation rights were exercised during the period.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

9 SHARE-BASED PAYMENT (CONTINUED)

(1) Stock Appreciation Rights Incentive Plan (Continued)

(e) Determination method of the fair value of stock appreciation right on the grant date

The Group uses the Black-Scholes option pricing model to determine the fair value of stock appreciation rights. The main parameters are listed below:

The exercise price of the appreciation right:		RMB1.58
Validity period of appreciation rights:	Three periods as:	1.33 years, 2.33 years, 3.33 years
The current price of the underlying shares:		RMB1.23
Estimated stock price volatility:	Three periods as:	62.88%, 86.70%, 81.18%
Estimated dividend yield:		0%
Risk-free interest rate during the term of appreciation rights:	Three periods as:	4.23%, 4.03%, 3.88%

The fair value of stock appreciation rights calculated by the Group based on the above parameters is:

RMB0.27, RMB0.56, RMB0.63

10 COMMITMENTS

(1) Capital commitments

As of June 30, 2023, and December 31, 2022, the group has no capital expenditure commitments that have been signed and do not need to be listed in the financial statements.

11 EVENTS AFTER THE BALANCE SHEET DATE

The group has no other events after the balance sheet date that need to be disclosed or adjusted.

12 LEASE

The group does not lease fixed assets through financial leasing.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk, interest rate risk and concentration risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance as follows:

The Board is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies and related guidelines and supervising the implementation of the risk management measures. The Group has developed risk management policies to identify and analyze the risks that the Group facing, which the risk management policy has specified the specific risks, covering the market risk, credit risk and liquidity risk management, and many other parties surface. The Group regularly evaluates the market environment and changes in the group's operating activities to determine whether to update the risk management policies and systems. The risk management of the Group is carried out by the Risk Management Committee in accordance with the policy approved by the Board. The Risk Management Committee adopted the work closely with other business units to identify, evaluate and evade related risks. The Group's internal audit department controls the risk management system and procedures for periodic review, and the audit results are reported to the Group's audit committee.

(1) Market risk

(a) Foreign exchange risk

The Group's main operations are located in China and its main business is settled in RMB. Foreign exchange risks identified by the Group in foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are denominated primarily in US dollars and Hong Kong dollars). The Group continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimize the foreign exchange risks it faces, and for this reason, the Group may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts. The Group has not signed any forward foreign exchange contracts or currency swap contracts as at 30 June 2023 and 31 December 2022.

As at 30 June 2023 and 31 December 2022, the Group did not hold foreign currency financial assets and foreign currency financial liabilities.

(b) Interest rate risk

The Group's interest rate risk mainly arises from long-term bank loans. Floating rate financial liabilities expose the Group to cash flow interest rate risk, and fixed rate financial liabilities expose the Group to fair value interest rate risk. The Group adjusts the relative proportion of contracts at a fixed rate and contracts at a floating rate based on market situation. As at 30 June 2023, the Group's interest long-term bearing debts were mainly floating rate contracts denominated in RMB with LPR linked, which totalled RMB1,037,800,000.00 (31 December 2022: RMB996,500,000.00) (note 4(27)).

The Group continuously monitors its interest rate level. A rise in interest rates would increase the cost of new interest-bearing debt and interest expense on the Group's outstanding interest-bearing debt at floating rates and have a material adverse effect on the Group's financial results, and management makes timely adjustments based on the latest market conditions, which may be in the form of interest rate swap arrangements to reduce interest rate risk. The Group has no interest rate swap arrangements as at six months ended 30 June 2023 and year 2022.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

As at 30 June 2023, if annual interest rates had been 10% lower/higher with all other variables held constant, net loss would have increased/decreased by RMB1,693,618.49 (31 December 2022: net loss would have decreased/increased by RMB1,703,867.50).

(c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 77.00% of the total sales for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 83%) were contributed by the top three customers with whom the Group has not entered into any long-term sales contracts. In the event that these major customers terminate their business relationships with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

(2) Credit risk

The Group's credit risk mainly arises from cash, notes receivable, accounts receivable, financing receivables, other receivables, contract assets, financial guarantee contracts... etc. As at the balance sheet date, the book value of the Group's financial assets representative their full credit risk exposure. The maximum credit risk exposure off the balance sheet is RMB52,500,000.00 which arises from the undertaking of a financial guarantee.

As at 30 June 2023, the amount of financial guarantees provided by the Group for Hexin Mining is RMB52,500,000.00 with no repayment on Hexin Mining's behalf, no overdue interest nor penalty. The Group assess that there is no credit impairment loss for the financial guarantee contract.

The financial guarantee provided by the Group is the guarantee for the joint venture. The Group continuously monitors the financial position of joint ventures and manages the credit risk exposure by controlling the total amount of guarantee and providing a guarantee jointly with the other participant of joint ventures to ensure that the credit risk is limited to a controllable extent.

The Group expects that there is no significant credit risk associated with cash at banks since they are deposited at state-owned banks and other medium or large size listed banks, and no significant losses are expected from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on notes receivable, accounts receivable, contract assets, financing receivables, other receivables, etc. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantees from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Group. In respect of customers with a poor credit history, the Group will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Group is limited to a controllable extent.

On 30 June 2023, the Group did not have a significant increase in credit risk and guaranties that mortgage by the debtor (31 December 2022: Nil)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(3) Liquidity risk

Cash flow forecasting was performed by each subsidiary of the Group. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities from a major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

The financial liabilities of the Group at the balance sheet date were analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2023				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Accounts payable	215,881,048.74				215,881,048.74
Short-term borrowings	511,840,694.44				511,840,694.44
Long-term borrowings	46,574,200.00	375,181,982.22	150,092,414.58		571,848,596.80
Other payables	68,472,688.50				68,472,688.50
Long-term payables	59,003,413.02	46,438,323.54	135,220,445.90	162,448,995.55	403,111,178.01
Lease liabilities	3,852,991.37	1,061,349.80			4,914,341.17
	905,625,036.07	422,681,655.56	285,312,860.48	162,448,995.55	1,776,068,547.66

	31 December 2022				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Accounts payable	277,805,920.36				277,805,920.36
Short-term borrowings	457,944,583.33				457,944,583.33
Long-term borrowings	45,445,500.00	242,035,608.33	302,881,729.72		590,362,838.05
Other payables	88,037,171.59				88,037,171.59
Long-term payables	44,979,465.96	50,637,315.96	160,274,897.88	188,218,496.35	444,110,176.15
Lease liabilities	3,513,188.10	2,319,016.19	2,291,817.40		8,124,021.69
	917,725,829.34	294,991,940.48	465,448,445.00	188,218,496.35	1,866,384,711.17

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(3) Liquidity risk (Continued)

- (i) As at the balance sheet date, the Group's financial guarantees provided to external parties are analysed below based on the maximum amounts and the earliest periods in which the guarantees could be called:

	30 June 2023				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Financial Guarantees	52,500,000.00				52,500,000.00

	31 December 2022				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Financial Guarantees	64,000,000.00				64,000,000.00

- (ii) The Group bank borrowings were analysed by repayment terms as follows:

	30 June 2023 Bank borrowing	31 December 2022 Bank borrowing
Within 1 year	526,800,000.00	475,400,000.00
1-2 years	362,000,000.00	224,400,000.00
2-5 years	149,000,000.00	296,700,000.00
	1,037,800,000.00	996,500,000.00

14 FAIR VALUE ESTIMATION

The level to which a fair value measurement result belongs is determined by the lowest level to which the inputs that are significant to the overall fair value measurement belong:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 inputs that are observable for the related asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the related asset or liability.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATION (CONTINUED)

(1) Assets and liabilities continuously measured at fair value

As at 30 June 2023, assets and liabilities continuously measured at fair value based on the above three levels were listed as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading – Structural deposits			11,000,000.00	11,000,000.00
Financing receivable – Notes receivable			61,199,199.42	61,199,199.42
Total financial assets			72,199,199.42	72,199,199.42

As at 31 December 2022, assets and liabilities continuously measured at fair value based on the above three levels were listed as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets held for trading – Structural deposits			11,000,000.00	11,000,000.00
Financing receivable – Notes receivable			145,854,590.43	145,854,590.43
Total financial assets			156,854,590.43	156,854,590.43

The Group confirms its converting point based on the date of occurrence of the matters leading to conversion between levels. No conversion existed between Level 1 and Level 2 during the period.

The fair value of financial instruments traded in an active market is determined at the quoted market price, and the fair value of those not traded in an active market is determined by the Group using valuation techniques. The valuation model used is mainly the discounted cash flow model, and the inputs of the valuation technique primarily include risk-free interest rates, benchmark interest rates and expected rates of return.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATION (CONTINUED)

(1) Assets and liabilities continuously measured at fair value (Continued)

The movement of the above assets and liabilities in Level 3 was listed as follows:

	31 December 2022	Increase	Decrease	Total gains or losses during the current period		30 June 2023	Assets still held on 30 June 2023 are included in changes in unrealized gains or losses in profit or loss for the six months ended 30 June 2023 – gains or losses on changes in fair value
				Gains or losses included in the current profit or loss	Gains or losses included in other comprehensive income		
Financial assets							
Financial assets held for trading – Structural deposits	11,000,000.00	11,000,000.00	(11,000,000.00)	142,502.74		11,000,000.00	
Financing receivable – Notes receivable	145,854,590.43	975,017,571.97	(1,059,672,962.98)			61,199,199.42	
Total financial assets	156,854,590.43	986,017,571.97	(1,070,672,962.98)	142,502.74		72,199,199.42	

	31 December 2021	Increase	Decrease	Total gains or losses during the current period		31 December 2022	Assets still held on 31 December 2022 are included in changes in unrealized gains or losses in profit or loss for 2022 – gains or losses on changes in fair value
				Gains or losses included in the current profit or loss	Gains or losses included in other comprehensive income		
Financial assets							
Financial assets held for trading – Structural deposits	31,000,000.00	42,000,000.00	(62,000,000.00)	457,661.87		11,000,000.00	
Financing receivable – Notes receivable	67,686,678.79	1,051,402,687.34	(973,234,775.70)			145,854,590.43	
Total financial assets	98,686,678.79	1,093,402,687.34	(1,035,234,775.70)	457,661.87		156,854,590.43	

Gains or losses included in profit or loss were presented in the income statements as the items of gains or losses on changes in fair value, investment income and asset impairment losses, etc.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATION (CONTINUED)

(1) Assets and liabilities continuously measured at fair value (Continued)

The information related to fair value measurement in Level 3 was as follows:

	Fair value	Valuation technique	Name	Inputs		
				Scope/Weighted average	Relationship with fair value	Observable/ Unobservable
30 June 2023						
Financial assets held for trading – Structural deposits	11,000,000.00	Discounted cash flow model	Expected rate of return	1.25%~2.55%	Positive correlation	Unobservable
Financing receivable – Notes receivable	61,199,199.42	Discounted cash flow model	Discount rates	3.55%	Negative correlation	Unobservable
31 December 2022						
Financial assets held for trading – Structural deposits	11,000,000.00	Discounted cash flow model	Expected rate of return	1.45%~2.65%	Positive correlation	Unobservable
Financing receivable – Notes receivable	145,854,590.43	Discounted cash flow model	Discount rates	3.65%	Negative correlation	Unobservable

- (2) The Group does not have assets subsequently measured at fair value on a non-continuing basis.
- (3) Disclosure of the fair value of assets and liabilities that are not subsequently measured at fair value

The Group's financial assets and financial liabilities measured at amortised cost mainly include notes receivable, receivables, short-term borrowings, payables, long-term borrowings, long-term payables, etc. Except for the financial assets and financial liabilities mentioned above, there is no significant difference between the book value of other financial assets and financial liabilities not measured at fair value and the fair value.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

15 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern, thereby providing returns for shareholders and benefits for other stakeholders and maintaining an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

Consistent with other companies in the same industry, the Group monitors its capital on the basis of the gearing ratio which is calculated as net debt divided by total capital. Net debt is equal to total borrowings (including short-term borrowings, long-term borrowings, bonds payable, long-term payables, etc.) less cash and cash equivalents. Total capital is the sum of owners' equity as shown in the consolidated balance sheet and net debt.

The Group's strategy for the six months ended 30 June 2023 is the same as the prior period, that is to keep the gearing ratio between 5% and 30%. As at 30 June 2023 and 31 December 2022, the Group's gearing ratios were as follows:

	30 June 2023	31 December 2022
Total borrowings		
Short-term borrowings	500,000,000.00	450,000,000.00
Long-term borrowings	511,000,000.00	521,100,000.00
Long-term borrowings due within one year	26,800,000.00	25,400,000.00
	1,037,800,000.00	996,500,000.00
Less: Cash and cash equivalents	(708,669,372.28)	(621,477,086.87)
Net debt (a)	329,130,627.72	375,022,913.13
Owners' equity (b)	5,530,473,633.64	5,689,665,835.15
Total capital (c) = (a) + (b)	5,859,604,261.36	6,064,688,748.28
Gearing ratio (a)/(c)	5.62%	6.18%

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2023	31 December 2022
Cash at bank	648,820,040.95	596,436,866.09
Restricted cash at bank (a)	80,434.59	80,415.47
	648,900,475.54	596,517,281.56

(a) Restricted cash at bank is shown as follows:

	30 June 2023	31 December 2022
Deposits for bank acceptance notes	74,034.59	74,015.47
ETC guarantee	6,400.00	6,400.00
	80,434.59	80,415.47

(2) Financial assets held for trading

	30 June 2023	31 December 2022
Financial assets at fair value through profit or loss		

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(3) Notes receivable

	30 June 2023	31 December 2022
Bank acceptance notes	6,000,000.00	5,010,000.00

- (a) As at 30 June 2023, the Company had no pledged notes receivable presented as notes receivable.
- (b) As at 30 June 2023, the Company's notes receivable endorsed or discounted but not yet due were as follows:

	Derecognised	Not derecognised
Bank acceptance notes (i)		

- (i) As at 30 June 2023, most bank acceptance notes were discounted and endorsed by the Company as needed in its daily treasury management. The bank acceptance notes that qualify for derecognition were classified as financial assets measured at fair value through other comprehensive income and presented as financing receivables (note 16(5)), while those notes receivable that do not qualify for derecognition were classified as financial assets measured at amortised cost.

(4) Accounts receivable

	30 June 2023	31 December 2022
Accounts receivable	33,419,982.27	25,281,415.82
Less: Provision for bad debts	(4,097,649.73)	(4,217,508.67)
	29,322,332.54	21,063,907.15

The majority of the Company's sales are on credit together with a credit period of no more than 180 days.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable (Continued)

(a) Aging analysis of accounts receivable by dates on which they were recorded was as follows:

	30 June 2023	31 December 2022
Within 1 year	26,054,000.57	17,358,931.56
1-2 years	516,847.52	310,050.12
2-3 years	310,050.12	310,050.12
3-4 years	310,050.12	310,050.12
4-5 years	310,050.12	310,050.12
Over 5 years	5,918,983.82	6,682,283.78
	33,419,982.27	25,281,415.82

(b) Accounts receivable with top five balances, grouped by party in arrears as at 30 June 2023 were analyzed in aggregate as follows:

	Balance	Provision for bad debts	% of the total balance of accounts receivable
Accounts receivable with top-five balances			
Total	30,269,011.05	1,271,807.69	90.57%

(c) No accounts receivable were derecognised due to transfers of financial assets during the period.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable (Continued)

(d) Provision for bad debts

The Company measures the loss allowance for accounts receivable, regardless of whether there is a significant financing component, based on lifetime expected credit losses.

i. *Accounts receivable for which bad debt provision was made on a group basis were analyzed as follows:*

Group – Related parties:

	30 June 2023			31 December 2022		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount	Amount	Lifetime expected credit loss rate	Amount
Not overdue	310,050.12	1.22%	(3,774.59)	310,050.12	1.22%	(3,774.59)
1-6 months overdue						
7-18 months overdue	310,050.12	2.32%	(7,194.70)	310,050.12	2.32%	(7,194.70)
More than 18 months overdue	4,325,025.90	36.12%	(1,562,040.10)	5,088,325.86	32.56%	(1,657,000.22)
	4,945,126.14		(1,573,009.39)	5,708,426.10		(1,667,969.51)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(4) Accounts receivable (Continued)

(d) Provision for bad debts (Continued)

(i) *Accounts receivable for which bad debt provision was made on a group basis were analyzed as follows: (Continued)*

Group – Non-related parties:

	30 June 2023			31 December 2022		
	Book balance	Provision for bad debts		Book balance	Provision for bad debts	
	Amount	Lifetime expected credit loss rate	Amount	Amount	Lifetime Expected credit loss rate	Amount
Not overdue	25,743,950.45	0.00%	(223.59)	16,822,592.04	0.15%	(25,093.34)
1-6 months overdue				226,289.40	0.15%	(337.54)
7-18 months overdue	206,797.40	0.15%	(308.47)			
More than 18 months overdue	2,524,108.28	100.00%	(2,524,108.28)	2,524,108.28	100.00%	(2,524,108.28)
	28,474,856.13		(2,524,640.34)	19,572,989.72		(2,549,539.16)

- (e) During this period, no provision for bad debts was made and the amount of any reversal from the bad debt provision was RMB119,858.94.
- (f) No write-offs of accounts receivable occurred during this period.
- (g) No accounts receivable were derecognised due to transfers of financial assets during this period.
- (h) As at 30 June 2023 and 31 December 2022, the Company had no accounts receivable pledged to banks as collaterals for short-term borrowings.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(5) Financing receivable

	30 June 2023	31 December 2022
Bank acceptance notes	25,966,336.50	90,284,966.84

Most bank acceptance notes shall be endorsed by the Company as needed in its daily treasury management and therefore, the bank acceptance notes are classified as financial assets measured at fair value through other comprehensive income.

As at 30 June 2023, there was no single provision for the impairment of the bank acceptance notes because the Group believes that the bank acceptance notes held had similar credit risk characteristics and would neither have significant credit risks nor cause material losses due to bank defaults.

As at 30 June 2023, the Group had no pledged bank acceptance notes receivable listed in financing receivables (31 December 2022: Nil).

As at 30 June 2023, the Company's bank acceptance notes endorsed or discounted but not yet due were as follows, except for note 16(3):

	Derecognised	Not derecognised
Bank acceptance notes	496,588,063.09	

(6) Advances to suppliers

Aging analysis of advances to suppliers was as follows:

	30 June 2023		31 December 2022	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	663,901,938.12	99.80%	198,687,051.11	99.33%
1-2 years	84,000.00	0.01%	95,000.00	0.05%
2-3 years	95,000.00	0.01%	106,034.00	0.05%
Over 3 years	1,155,387.09	0.18%	1,149,733.09	0.57%
	665,236,325.21	100.00%	200,037,818.20	100.00%

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(7) Other receivables

	30 June 2023	31 December 2022
Amounts due from subsidiaries (i)	78,912,591.07	209,048,784.37
Margin	150,000.00	150,000.00
Amounts due from joint-ventures	100,986.30	100,986.30
Cash advance	21,873.84	43,488.50
Others	2,964,843.13	1,089,184.15
	82,150,294.34	210,432,443.32
Less: Provision for bad debts	(33,234.47)	(33,234.47)
	82,117,059.87	210,399,208.85

(i) The amount due from Xinjiang Yakesi was RMB8,997,866.40. The amount due from Shaanxi Xinxin was RMB12,227,008.37. The amount due from Kalatongke Mining was RMB18,000,000.00. The amount due from Beijing Xinding was RMB39,687,716.30.

(a) Aging analysis of other receivables was as follows:

	30 June 2023	31 December 2022
Within 1 year	68,937,012.58	197,763,714.22
1-2 years	573,462.67	695,894.03
2-3 years	666,984.02	1,354,888.07
Over 3 years	11,972,835.07	10,617,947.00
	82,150,294.34	210,432,443.32

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(7) Other receivables (Continued)

(b) Loss allowances and the movement of their book balances

	Stage 1		Total
	Expected credit losses over the next 12 months (by group)		
	Book balance	Provision for bad debts	Provision for bad debts
31 December 2022	210,432,443.32	(33,234.47)	(33,234.47)
Increase during this period	13,861,351.40		
Decrease during this period	(142,143,500.38)		
Including: Write-offs for this period			
Derecognition	(142,143,500.38)		
Additional provision for bad debts during this period (i)			
30 June 2023	82,150,294.34	(33,234.47)	(33,234.47)

(i) There were no changes in bad debt provision caused by the change of parameter data used to determine expected credit losses during this period, except for any change as a result of the increase and decrease during this period.

As at 30 June 2023 and 31 December 2022, the Company did not have any other receivables in either Stage 2 or Stage 3 and the other receivables in Stage 1 were analyzed as follows:

(i) Other receivables for which bad debt provision was made on a group basis as at 30 June 2023 were analyzed as follows:

	Book balance	Expected credit loss rate over the next 12 months	Provision for bad debts
Provision on a group basis:			
Related party customers	79,406,606.37	0.02%	(12,969.85)
Staff reserve	21,873.84		
Others	2,721,814.13	0.74%	(20,264.62)
	82,150,294.34		(33,234.47)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(7) Other receivables (Continued)

(b) Loss allowances and the movement of their book balances (Continued)

(i) Other receivables for which bad debt provision was made on a group basis as at 31 December 2022 were analyzed as follows:

	Book balance	Expected credit loss rate Provision for over the next 12 months	bad debts
Provision on a group basis:			
Related party customers	209,542,799.67	0.01%	(12,969.85)
Staff reserve	43,488.50		
Others	846,155.15	2.39%	(20,264.62)
	210,432,443.32		(33,234.47)

(c) During this period, neither provision for bad debts was made for other receivables nor did reversal from the provision for bad debts on other receivables occurred.

(d) No write-offs of accounts receivable occurred during this period.

(e) Other receivables with top five balances, grouped by party in arrears as at 30 June 2023 were analyzed as follows:

	Nature	Balance	Aging	% of the total balance of other receivables	Provision for bad debts
Beijing Xinding	Interest receivable	39,687,716.30	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, over 5 years	48.31%	
Kalatongke Mning	Dividends receivable	18,000,000.00	Within 1 year	21.91%	
- Shaanxi Xinxin	Borrowings and advances	12,227,008.37	Within 1 year, 1-2 years, 2-3 years, 3-4 years, 4-5 years, over 5 years	14.88%	
Xinjiang Yakesi	Borrowings, interest and advances	8,997,866.40	Within 1 year	10.95%	
Xinjiang Jinhui	Transfer of receivables	393,029.00	1-2 years	0.48%	(10,803.39)
		79,305,620.07		96.53%	(10,803.39)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(8) Inventories

	30 June 2023			31 December 2022		
	Book balance	Provision for the decline in value of inventories	Book value	Book balance	Provision for the decline in value of inventories	Book value
Raw materials	67,616,382.41	(543,427.80)	67,072,954.61	50,298,961.99	(543,427.80)	49,755,534.19
Work in progress	122,605,050.73		122,605,050.73	119,596,261.72		119,596,261.72
Self-made semi-finished goods	642,561,818.64		642,561,818.64	700,932,971.69		700,932,971.69
Finished goods	122,170,786.33		122,170,786.33	402,032,598.14	(9,652,957.01)	392,379,641.13
	954,954,038.11	(543,427.80)	954,410,610.31	1,272,860,793.54	(10,196,384.81)	1,262,664,408.73

(9) Other current assets

	30 June 2023	31 December 2022
Prepaid income tax	9,534,165.36	244,970.36
VAT to be deducted	7,782.16	7,779.22
	9,541,947.52	252,749.58

(10) Long-term receivables

	30 June 2023	31 December 2022
Long-term receivables	803,550,000.00	895,250,000.00
Less: Provision for impairment of long-term receivables	(82,000,000.00)	(82,000,000.00)
	721,550,000.00	813,250,000.00

As at 30 June 2023, the balance of the long-term borrowings provided by the Company to its subsidiary, Xinjiang Yakesi, was RMB494,400,000.00 (31 December 2022: RMB541,100,000.00); the balance of the long-term borrowings to its subsidiary, Beijing Xinding, was RMB109,150,000.00 (31 December 2022: RMB154,150,000.00); the balance of the long-term borrowings to its subsidiary, Zhongxin Mining, was RMB200,000,000.00 (31 December 2022: RMB200,000,000.00).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(10) Long-term receivables (Continued)

As at 30 June 2023, the Company expected that the period of Zhongxin Mining's repayment would be significantly extended and made a provision of RMB82,000,000.00 for the impairment of the long-term receivables from that subsidiary because the energy consumption of Zhongxin Mining failed to fully meet the energy consumption limit requirement specified in the "Energy Consumption Limit per Unit of Output for Nickel Smelting Enterprises" issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardization Administration of the People's Republic of China and therefore, intended to accomplish the overall upgrading and transformation of its process technology.

(11) Long-term equity investments

	30 June 2023	31 December 2022
Subsidiaries (a)	2,510,131,420.87	2,465,131,420.87
Joint venture (b)	220,722,263.04	230,946,799.76
	2,730,853,683.91	2,696,078,220.63
Less: Provision for impairment of long-term equity investments (note 16(16))	(198,659,156.75)	(198,659,156.75)
	2,532,194,527.16	2,497,419,063.88

a) Subsidiaries

	Movement during this period					30 June 2023	Closing balance of impairment provision	Cash dividends declared for this period
	31 December 2022	Increase in investment	Decrease in investment	Provision for impairment	Others			
Mengxi Mining	10,200,000.00					10,200,000.00		
Xinjiang Yakesi	720,171,915.12					720,171,915.12		
Hami Jubao	206,100,349.00					206,100,349.00		
Zhongxin Mining (i)	118,659,156.75					118,659,156.75	(118,659,156.75)	
Kalatongke Mining	1,230,000,000.00					1,230,000,000.00		
Beijing Xinding	100,000,000.00	45,000,000.00				145,000,000.00		
Shaanxi Xinxin	80,000,000.00					80,000,000.00	(80,000,000.00)	
	2,465,131,420.87	45,000,000.00				2,510,131,420.87	(198,659,156.75)	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(11) Long-term equity investments (Continued)

b) Joint venture

	31 December 2022	Movement during this period					30 June 2023	Closing balance of impairment provision
		Increase in investment	Net profit or loss adjusted using the equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividends or profits declared		
Hexin Mining	230,946,799.76		775,463.28			(11,000,000.00)		220,722,263.04

(12) Right-of-use assets

	Building
Original price	
31 December 2022	3,779,037.71
Increase during this period – New lease contract	
30 June 2023	3,779,037.71
Accumulated depreciation	
31 December 2022	1,566,918.06
Increase during this period – Accrual	553,029.90
30 June 2023	2,119,947.96
Book value	
30 June 2023	1,659,089.75
31 December 2022	2,212,119.65

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(13) Fixed assets

	Buildings	Machinery and equipment	Motor vehicles	Electronic & office equipment	Total
Original price					
31 December 2022	530,987,452.93	534,383,874.38	13,558,647.09	18,180,645.76	1,097,110,620.16
Increase during this period					
Purchases during this period	1,233,781.38	273,009.68	822,814.16	550,757.96	2,880,363.18
Transfer-in from construction in progress					
Decrease during this period					
Disposal and retirement during this period			(1,063,989.53)		(1,063,989.53)
30 June 2023	532,221,234.31	534,656,884.06	13,317,471.72	18,731,403.72	1,098,926,993.81
Accumulated depreciation					
31 December 2022	243,114,637.99	327,445,638.21	9,330,996.62	15,156,278.21	595,047,551.03
Accrual during this period	8,621,680.69	17,903,279.17	369,900.37	524,181.35	27,419,041.58
Disposal and retirement during this period			(1,039,059.85)		(1,039,059.85)
30 June 2023	251,736,318.68	345,348,917.38	8,661,837.14	15,680,459.56	621,427,532.76
Book value					
30 June 2023	280,484,915.63	189,307,966.68	4,655,634.58	3,050,944.16	477,499,461.05
31 December 2022	287,872,814.94	206,938,236.17	4,227,650.47	3,024,367.55	502,063,069.13

For the six months ended 30 June 2023, the depreciable amount of fixed assets was RMB27,419,041.58 (for the six months ended 30 June 2022: RMB24,579,739.32), of which RMB25,514,772.09 was charged to operating cost, RMB1,869,508.91 to general and administrative expenses, RMB34,760.58 to selling expenses, and RMB0 to research and development expenses (for the six months ended 30 June 2022: RMB20,401,883.78, RMB2,051,709.03, RMB44,354.66 and RMB2,081,791.85, respectively).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(14) Intangible assets

	Land use rights	others	Total
Original price			
31 December 2022	55,769,329.80	1,053,301.80	56,822,631.60
Increase during this period – Purchase			
30 June 2023	55,769,329.80	1,053,301.80	56,822,631.60
Accumulated amortization			
31 December 2022	15,663,432.48	738,753.89	16,402,186.37
Increase during this period – Accrual	563,763.24	24,377.24	588,140.48
30 June 2023	16,227,195.72	763,131.13	16,990,326.85
Book value			
30 June 2023	39,542,134.08	290,170.67	39,832,304.75
31 December 2022	40,105,897.32	314,547.91	40,420,445.23

For the six months ended 30 June 2023, the amortisation amount of intangible assets was RMB588,140.48 (for the six months ended 30 June 2022: RMB586,062.98).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(15) Deferred tax assets

	30 June 2023		31 December 2022	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Asset impairment loss	285,333,468.75	42,800,020.32	295,106,284.70	44,265,942.70
Equity incentive	5,409,798.10	811,469.71	3,087,605.73	463,140.86
Government grants	9,098,009.10	1,364,701.37	9,098,009.10	1,364,701.37
	299,841,275.95	44,976,191.40	307,291,899.53	46,093,784.93
Including				
Amount expected to be reversed within 1 year (including 1 year)		695,974.19		2,158,166.11
Amount expected to be reversed after 1 year		44,280,217.21		43,935,618.82
		44,976,191.40		46,093,784.93

(16) Provision for asset impairment

	31 December 2022	Increase during this period	Decrease during this period Reversal	30 June 2023
Provision for bad debts	4,250,743.14		(119,858.94)	4,130,884.20
Including: Accounts receivable	4,217,508.67		(119,858.94)	4,097,649.73
Other receivables	33,234.47			33,234.47
Provision for decline in value of inventories	10,196,384.81		(9,652,957.01)	543,427.80
Impairment of long-term receivables	82,000,000.00			82,000,000.00
Provision for impairment of long-term equity investment	198,659,156.75		–	198,659,156.75
	295,106,284.70	202,264.15	(9,772,815.95)	285,333,468.75

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(17) Notes payable

	30 June 2023	31 December 2022
Bank acceptance notes		

(18) Accounts payable

	30 June 2023	31 December 2022
Payable for purchase of materials	47,853,307.07	92,264,843.25
Transportation fee payable	614,187.88	1,091,577.35
Others	128,400.00	299,826.95
	48,595,894.95	93,656,247.55

(19) Contract liabilities

	30 June 2023	31 December 2022
Advances on sales	3,066,692.70	9,363,402.14

As at 1 January 2023, the balance of the Company's contract liabilities was RMB9,363,402.14, of which RMB8,815,580.83 was transferred to revenue from the main operation in 2023.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(20) Employee benefits payable

	30 June 2023	31 December 2022
Short-term employee benefits payable (a)	43,533,144.08	51,933,748.04
Defined contribution plans payable (b)	6,045.13	6,045.13
	43,539,189.21	51,939,793.17

(a) Short-term employee benefits

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023
Salaries, bonuses, allowances and subsidies	46,756,735.76	34,688,356.60	(41,678,033.87)	39,767,058.49
Staff welfare		1,181,533.40	(767,083.40)	414,450.00
Social insurances	1,268,483.73	4,224,525.92	(5,490,832.74)	2,176.91
Including: Medical insurance	1,268,483.73	3,612,493.28	(4,878,800.10)	2,176.91
Work injury insurance		531,427.38	(531,427.38)	
Critical illness insurance		80,605.26	(80,605.26)	
Housing fund		4,138,964.07	(4,131,117.00)	7,847.07
Labor union fund and employee education fund	3,646,356.55	920,821.99	(1,226,586.93)	3,340,591.61
Other short-term employee benefits	262,172.00	2014,967.22	(2,276,119.22)	1,020.00
	51,933,748.04	47,169,169.20	(55,569,773.16)	43,533,144.08

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(20) Employee benefits payable (Continued)

(b) Defined contribution plans

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023
Basic pension insurance		6,741,479.10	(6,741,479.10)	
Contributions from the enterprise		3,098,774.84	(3,098,774.84)	
Unemployment insurance	6,045.13	213,304.29	(213,304.29)	6,045.13
	6,045.13	10,053,558.23	(10,053,558.23)	6,045.13

(21) Taxes payable

	30 June 2023	31 December 2022
Unpaid VAT	1,813,235.03	16,154,923.54
City maintenance and construction tax payable	97,692.42	815,606.22
Education surcharge payable	57,632.67	487,543.73
Individual income tax payable	37,905.84	165,861.23
Stamp duty payable	35,253.11	139,027.37
Environmental tariff payable	317.75	5,511.03
Others	40,113.52	326,721.49
Total	2,082,150.34	18,095,194.61

(22) Other payables

	30 June 2023	31 December 2022
Payables due to related parties	5,120,028.81	5,228,754.69
Payables for construction projects	4,981,836.12	3,951,905.06
Professional service fee	1,087,452.80	2,361,727.73
Deposit for quality guarantee	1,172,460.00	1,162,860.00
Payables for purchase of equipment	546,322.00	563,612.80
Dividends payable	320,389,230.00	
Others	15,069,354.27	4,084,592.08
Total	348,366,684.00	17,353,452.36

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(23) Capital reserve

	31 December 2022	Increase during this period	Decrease during this period	30 June 2023
Contribution from Parent				
Company related to mining rights (i)	35,393,957.53			35,393,957.53
Share premium (ii)	4,219,360,899.96			4,219,360,899.96
	4,254,754,857.49			4,254,754,857.49
	31 December 2021	Increase during this period	Decrease during this period	31 December 2022
Contribution from Parent				
Company related to mining rights (i)	35,393,957.53			35,393,957.53
Share premium (ii)	4,219,360,899.96			4,219,360,899.96
	4,254,754,857.49			4,254,754,857.49

- (i) The difference between the fair value of mining rights acquired from Xinjiang Non-ferrous Group and the present value of the long-term payable for the mining rights was treated as the contribution from Xinjiang Non-ferrous Group to the Company. The capital reserve was formed prior to the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited in 2007.
- (ii) The difference between the paid-in capital and the share capital was recognised in capital reserve as a share premium.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(24) Revenue and cost of sales

	Six months ended 30 June 2023	Six months ended 30 June 2022
Revenue from the main operation	699,255,010.90	1,658,584,110.52
Revenue from other operation	7,053,702.42	558,686.91
	706,308,713.32	1,659,142,797.43
	Six months ended 30 June 2023	Six months ended 30 June 2022
Cost of sales from the main operation	543,921,591.49	1,249,389,203.81
Cost of sales from other operations	2,475,887.82	426.40
	546,397,479.31	1,249,389,630.21

a) Revenue and cost of sales from the main operation

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of sales from main operation
Nickel cathode	592,300,939.74	446,949,590.92	1,296,135,855.80	951,423,355.11
Copper cathode	88,402,038.46	85,277,383.00	320,340,202.39	275,139,667.67
Others	18,552,032.7	11,694,617.57	42,108,052.33	22,826,181.03
	699,255,010.90	543,921,591.49	1,658,584,110.52	1,249,389,203.81

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(24) Revenue and cost of sales (Continued)

b) Revenue and cost of sales from other operations

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Revenue from other operation	Cost of sales from other operations	Revenue from other operation	Cost of sales from other operations
Sales of board slag, water slag and other waste residues	3,377,282.96	2,475,153.58		
Sales of electricity				
Orefield heating				
Others	3,676,419.46	734.24	558,686.91	426.40
	7,053,702.42	2,475,887.82	558,686.91	426.40

(25) Financial expenses – net

	Six months ended 30 June 2023	Six months ended 30 June 2022
Interest expense on borrowings	7,986,705.71	17,831,013.87
Less: Capitalised interest		
Add: Interest expense on lease liabilities	46,219.88	52,149.69
Interest expenses	8,032,925.59	17,883,163.56
Less: Interest income	(17,313,737.50)	(26,593,431.54)
Bank charges	14,933.85	58,152.22
	(9,265,878.06)	(8,652,115.76)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(26) Expenses by nature

Cost of sales, selling expenses, general and administrative expenses, and research and development expenses in the income statements were categorized by nature and shown as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Raw materials consumed	109,413,134.22	1,042,524,992.20
Other production fees	11,390,604.33	6,271,554.32
Employee benefits (note 16(20))	57,222,727.43	59,548,219.45
Depreciation expenses (note 16(12), note 16(13))	27,972,071.48	25,132,769.22
Electricity costs	6,043,997.47	17,479,412.37
Loading and unloading fee and transportation fee	1,402,216.93	4,817,546.09
Safety production costs	4,787,608.08	4,252,514.76
Amortisation expenses (note 16(14))	788,140.46	586,062.98
Office expenses	3,125,129.47	2,316,663.45
Changes in inventories of work in progress, semi-finished goods and finished goods (note 16(8))	335,224,175.85	173,484,490.54
Others	14,930,040.95	3,519,723.01
	572,299,846.67	1,339,933,948.39

(i) These non-audit services are the Independent Auditor's Letters on Continuing Connected Transactions (PN740 letter) and the Report on Agreement with Preliminary Announcement of Results (PN730 letter).

(27) Gains/(losses) on changes in fair value

	Six months ended 30 June 2023	Six months ended 30 June 2022
Derivative financial assets and derivative financial liabilities – Metal trading contract	(20,486,134.51)	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(28) Investment Income

	Six months ended 30 June 2023	Six months ended 30 June 2022
Net profit from a joint venture under the equity method (note 16(11))	225,463.28	32,347,943.41

(29) Income tax expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
Current income tax	21,090,081.00	34,899,890.78
Deferred income tax	1,117,593.53	(643,084.33)
	22,207,674.53	34,256,806.45

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the Company's income statement to the income tax expenses was listed as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
Total profit	112,894,614.05	352,076,652.83
Income tax expenses calculated at the statutory income tax rate of 25%	28,223,653.51	88,019,163.21
Effect of tax deductions	(11,289,461.41)	(35,207,665.28)
Non-taxable income	(15,840.65)	(5,017,191.51)
Costs, expenses and losses not deductible for tax purposes	1,447,943.55	4,321,205.07
Utilisation of deductible losses not recognised as deferred tax assets in previous years	3,841,379.53	(17,858,705.04)
	22,207,674.53	34,256,806.45

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023
(All amounts in RMB Yuan unless otherwise stated)

17 NET CURRENT ASSETS

	The Group	
	30 June 2023	31 December 2022
Current assets	2,429,601,486.81	2,222,607,640.87
Less: Current liabilities	(1,299,534,802.16)	(1,016,306,750.74)
Net current assets	1,130,066,684.65	1,206,300,890.13

	The Company	
	30 June 2023	31 December 2022
Current assets	2,421,495,087.49	2,386,230,340.91
Less: Current liabilities	(450,244,243.39)	(197,001,722.02)
Net current assets	1,971,250,844.10	2,189,228,618.89

18 TOTAL ASSETS LESS CURRENT LIABILITIES

	The Group	
	30 June 2023	31 December 2022
Total assets	7,937,856,958.18	7,829,460,146.86
Less: Current liabilities	(1,299,534,802.16)	(1,016,306,750.74)
Total assets less current liabilities	6,638,322,156.02	6,813,153,396.12

	The Company	
	30 June 2023	31 December 2022
Total assets	6,305,217,530.03	6,335,567,053.69
Less: Current liabilities	(450,244,243.39)	(197,001,722.02)
Total assets less current liabilities	5,854,973,286.64	6,138,565,331.67

SUPPLEMENTAL NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2023

(All amounts in RMB Yuan unless otherwise stated)

1 NON-RECURRING PROFIT AND LOSS STATEMENT

	Six months ended 30 June 2023	Six months ended 30 June 2022
Investment income from selling financial assets held for trading	142,502.74	145,245.21
Government grants through profit or loss	3,808,509.85	3,877,561.60
Gains and losses on disposal of non-current assets		449,885.20
Non-operating income and expenses other than the above items – Net	(196,505.43)	198,092.04
	3,754,507.16	4,670,784.05
Effect of the income tax	(548,926.57)	(668,960.31)
Effect of non-controlling interests (after tax)	(73,491.71)	(78,132.99)
	3,132,088.88	3,923,690.75

Basis for preparation of the non-recurring profit and loss statement

According to the "Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses (2008)" issued by China Securities Regulatory Commission, non-recurring gains and losses are gains and losses arising from transactions and events that are not directly related to the Company's normal operating business, and those that are related to normal operating business but, due to their special and episodic nature, affect how the users of the statements make a correct judgment of the Company's operating performance and profitability.

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022
Net profit attributable to ordinary shareholders of the Company	3.04%	11.62%	0.077	0.276	0.077	0.276
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	2.99%	11.54%	0.076	0.274	0.076	0.274



Xinjiang Xinxin Mining Industry Co., Ltd.*
新疆新鑫礦業股份有限公司