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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “**Board**”) of Xinjiang Xinxin Mining Industry Co., Ltd.* (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2020. The audit committee of the Board of the Company has reviewed these interim results.

This announcement, containing the full text of the interim report for the six months ended 30 June 2020 (the “**Interim Report**”) of the Company, complies with the relevant requirements for interim results announcement as stipulated in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Publication of Interim Results Announcement and Interim Report

This announcement is published on the website of the Company (kunlun.wsfg.hk) and the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk).

The Interim Report containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the website of the Company and the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.*
Zhang Guohua
Chairman

Xinjiang, the PRC, 21 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Liu Jun and Mr. Qi Xinhui; the non-executive directors of the Company are Mr. Zhang Guohua, Mr. Zhou Chuanyou, Mr. Guo Quan and Mr. Hu Chengye; and the independent non-executive directors of the Company are Mr. Hu Benyuan, Mr. Wang Lijin and Mr. Wong Yik Chung John.

** For identification purpose only*

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Liu Jun
Qi Xinhui

NON-EXECUTIVE DIRECTORS

Zhang Guohua (*Chairman*)
Guo Quan
Zhou Chuanyou (*Vice chairman*)
Hu Chengye

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Benyuan
Wang Lijin
Wong Yik Chung John

SUPERVISORS

Yu Wenjiang (*Chairman*)
Li Jiangping
Chen Rong
Yao Wenying
Meng Guojun

AUDIT COMMITTEE

Hu Benyuan (*Chairman*)
Wong Yik Chung John
Hu Chengye

REMUNERATION AND REVIEW COMMITTEE

Wang Lijin (*Chairman*)
Zhou Chuanyou
Guo Quan
Hu Benyuan
Wong Yik Chung John

NOMINATION COMMITTEE

Zhang Guohua (*Chairman*)
Wang Lijin
Wong Yik Chung John

STRATEGIC DEVELOPMENT COMMITTEE

Zhang Guohua (*Chairman*)
Guo Quan
Zhou Chuanyou
Wang Lijin

COMPANY SECRETARIES

Lam Cheuk Fai *FCCA, FCPA*
Zhang Junjie

AUTHORISED REPRESENTATIVES

Liu Jun
Lam Cheuk Fai
Wong Yik Chung John (*Alternate*)

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AUDITORS

International and PRC auditors
PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)

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COMPANY WEBSITE

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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 2020 (the “Period”), together with the unaudited consolidated operating results for the six months ended 30 June 2019 (“First Half of 2019” 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”).

Consolidated revenue of the Group for the Period was RMB632.1 million, representing an increase of 6.3% as compared with consolidated revenue of RMB594.4 million for the Same Period Last Year. The consolidated net loss attributable to shareholders of the Company was RMB62.3 million during the Period, while the consolidated net loss attributable to shareholders of the Company was RMB59.2 million for the Same Period Last Year. The decline in consolidated operating results of the Group during the Period was mainly due to (1) the outbreak of COVID-19 in China at the end of January 2020 which affected the mining and ore processing operations of the Group’s major mining enterprises, and the mining and ore processing operations of the Group’s major mining enterprises were only fully resumed at the end of March 2020, leading to an increase in the production costs of the Group’s major products, and (2) the significant decrease in market prices of the Group’s major product, copper cathode, and the low level of the market prices of nickel cathode as well as the decrease in sales volume of nickel cathode during and for the Period since the Company adopted “to sell at better price” selling strategies during the Period in order to obtain greater benefit.

Basic loss per share attributable to shareholders of the Company amounted to RMB0.028 during the Period, while the basic loss per share amounted to RMB0.027 per share in the Same Period Last Year.

The Board does not recommend any payment of interim dividend for 2020.

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

RESOURCES AND RESERVES

As at 30 June 2020, the estimated resources and reserves for the four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan respectively, which are wholly-owned by the Company, are set out in the following tables:

	Ore contents	Grade	Ni	Metal contents	
	Tonnes	Cu %	%	Cu Tonnes	Ni Tonnes
Resources as at 30 June 2020					
Kalatongke nickel-copper mine	30,106,482	0.97	0.56	292,958	168,226
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	77,832,825	0.28	0.45	214,732	350,288
Total	107,939,307			507,690	518,514
Reserves as at 30 June 2020					
Kalatongke nickel-copper mine	19,797,374	1.01	0.61	199,775	120,774
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	28,193,699	0.32	0.50	89,674	141,557
Total	47,991,073			289,449	262,331

Note: The resources and reserves for the Kalatongke nickel-copper mine were estimated based on the 2007 estimates stated in the independent technical review report set out in the Company's prospectus dated 27 September 2007. The resources and reserves for the three nickel-copper mines in Huangshandong, Huangshan and Xiangshan were estimated based on the 2008 estimates of resource and reserves approved for record by the Ministry of Land and Resources of the PRC. The increases of mining consumption and exploration during the Period were confirmed by internal experts.

As at 30 June 2020, the estimated resources for the two vanadium mines in Xianghe Street and Mujia River, which are owned as to 51% by the Company, 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 2020			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	29,295,500	0.88	257,800
Total	39,454,900		354,100

Note: The resources for the two vanadium mines in Xianghe Street and Mujia River were estimated based on the 2012 estimates of resources as approved for record by the Department of Land and Resources of Shaanxi Province.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Since the beginning of 2020, the COVID-19 (the “COVID-19 Pandemic”) has spread rapidly around the world, and then the economic activities in all countries have contracted sharply which built up uncertainties in the business prospects and caused significant impact on global supply chains, leading to the decrease in the international and domestic non-ferrous metal prices (exclusive of gold). The metal prices of the Group's main business of nickel cathode (slightly increased year-on-year, declined month-on-month) and copper cathode have declined both year-on-year and month-on-month. Nickel cathode and copper cathode prices fell to multi-year record lows in March, as hit by the COVID-19 Pandemic. However, since May, the COVID-19 Pandemic in China has eased, and the market supply and demand have become more balanced. In June, the prices of nickel cathode and copper cathode also climbed to the level near the beginning of the year. In response to the COVID-19 Pandemic, China has adopted stringent public health measures and actions, including restrictions on access to and from the country, to control the COVID-19 Pandemic. In order to protect the occupational health and production safety of employees, the Group temporarily suspended the mining and ore processing production of major mining enterprises from the end of January to the end of March 2020, which in addition to the difficulties in domestic transportation during the epidemic period, resulted in the increased cost of major products of the Group and adverse impact on its financial position.

During the Period, London Metal Exchange (“LME”) average three-month future price of nickel cathode was US\$12,539 per tonne, representing an increase of 1.2% from US\$12,395 per tonne for the Same Period Last Year. The average three-month future price of copper cathode was US\$5,518 per tonne, representing a decrease of 10.7% from US\$6,177 per tonne for the Same Period Last Year.

During the Period, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Nonferrous Metals Spot Market was RMB102,990 per tonne, representing an increase of 3.2% from RMB99,822 per tonne for the Same Period Last Year. The average spot price (including tax) of copper cathode was RMB44,467 per tonne, representing a decrease of 7.5% from RMB48,305 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period, the consolidated revenue of the Group amounted to RMB632.1 million, representing an increase of 6.3% from the consolidated revenue of RMB594.4 million for the Same Period Last Year. The consolidated net loss amounted to RMB62.6 million, representing a decrease in operating results as compared with the consolidated net loss of RMB60.9 million for the Same Period Last Year. In particular, the consolidated net loss attributable to shareholders of the Company was RMB62.3 million, while the consolidated net loss attributable to shareholders of the Company was RMB59.2 million for the Same Period Last Year.

The decline in consolidated operating results of the Group during the Period was mainly due to (1) the outbreak of COVID-19 Pandemic in China, during which the Group temporarily suspended the mining and ore processing production of major mining enterprises, leading to an increase in the production costs of the Group's major products, and (2) the significant decrease in market prices of the Group's major product, copper cathode, and the low level of the market prices of nickel cathode as well as the decrease in sales volume of nickel cathode during and for the Period since the Company adopted "to sell at better price" selling strategies during the Period in order to obtain greater benefit.

During the Period, the Group produced 5,849 tonnes of nickel cathode, representing an increase of 6.9% as compared with 5,474 tonnes for the Same Period Last Year, and produced 5,378 tonnes of copper cathode, representing an increase of 18.0% as compared with 4,558 tonnes for the Same Period Last Year.

During the Period, the Group sold 3,870 tonnes of nickel cathode, representing a decrease of 16.8% as compared with 4,654 tonnes for the Same Period Last Year, and sold 6,248 tonnes of copper cathode, representing an increase of 89.1% from 3,304 tonnes for the Same Period Last Year.

During the Period, the average selling price of nickel cathode of the Group (excluding tax) was RMB89,908 per tonne, representing an increase of 6.1% from RMB84,723 per tonne for the Same Period Last Year, while the average selling price of copper cathode (excluding tax) was RMB38,051 per tonne, representing a decrease of 9.3% from RMB41,969 per tonne for the Same Period Last Year.

PROSPECTS AND COUNTERMEASURES

At present, the COVID-19 Pandemic in various countries around the world has yet to be eased. The mining companies of the Group, based on their own conditions, have formulated emergency plans such as isolation measures, material supply and production arrangements. In Urumqi, Xinjiang, lockdown management was implemented in July, and the Company's office also adopted measures for certain employees to work from home in accordance with the social restrictions imposed by the local government. In the second half of 2020, epidemic prevention and control will remain the focus of the Group's work. We will use all resources to maintain the health and safety of our employees, strive to overcome the impact of the epidemic, ensure the smooth operation of production and operation, and do our best to contribute to the epidemic prevention of the communities where the project is located.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking forward, as the National Bureau of Statistics released economic data for May 2020 showing that domestic industries would continue to maintain positive growth, there has been progress in vaccine research and development, and countries around the world are gradually lifting the blockade, it is expected that the economy will gradually pick up in the second half of the year, but the market prospects remain highly uncertain. The Group will adjust its work plan based on changes in the external environment and the price trends of international nickel cathode and copper cathode metals, implement more stringent cost control, more prudent cash flow management, and strive to achieve our production and operation goals and medium- and long-term sustainable development goals.

In the second half of 2020, the Group plans to produce 5,651 tonnes of nickel cathode and 5,622 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.

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 3,517.5 meters of drilling in pit. Xinjiang Yakesi Resources Co. Ltd. ("Xinjiang Yakesi") and Hami Jubao Resources Co. Ltd. ("Hami Jubao") mainly completed 190.0 meters of shallow-hole drilling in pit. During the Period, the aggregate expenditure on the mineral exploration of the Group was around RMB1.3 million.

Mine development

During the Period, Kalatongke Mining mainly completed mining development projects, such as the construction of 142 meters of wind well connection tunnel of Line 41 at 530 mid-segment, the construction of 136 meters of Line 83 and Line 85 through-vein transverse tunnels at 548 mid-segment, and, the construction of 76 meters of Line 83, Line 89 and Line 91 through-vein transverse tunnels at 536 mid-segment of No. 3 ore body, as well as the construction of 165 meters of horizontal haulage and connection tunnel at 710 mid-segment of No. 1 ore body. Xinjiang Yakesi and Hami Jubao mainly completed mining development projects, such as the construction of 92 meters of horizontal haulage and connection tunnel at 350 mid-segment, 156 meters of No.1 haulage and connection tunnel at 250 mid-segment mainstream well, 61 meters of ramp at 250 mid-segment to 150 mid-segment, as well as 59 meters of haulage tunnel at 150 mid-segment at No. 30 ore body in Huangshan.

During the Period, the aggregate expenditure on the mine development of the Group was around RMB20.5 million.

Ore mining

During the Period, Kalatongke Mining produced 357,187 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 553,393 tonnes of ores. During the Period, the aggregate expenditure on the ore mining of the Group was around RMB110.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS

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 period ended 30 June 2020			For the period ended 30 June 2019		
	Sales Volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to Revenue
Nickel cathode	3,870	347,972	55.7%	4,654	394,263	66.8%
Copper cathode	6,248	237,748	38.0%	3,304	138,679	23.5%
Copper concentrate	2,615	19,072	3.1%	4,185	39,778	6.7%
Other products	–	20,400	3.2%	–	21,661	2.9%
Total revenue		625,192	100%		594,381	100%
Cost of sales		(577,538)	92.4%		(527,965)	88.7%
Gross profit		47,654	7.6%		66,416	11.3%

During the Period, the revenue from nickel cathode of the Group decreased by 11.7% to RMB348 million as compared with that of the Same Period Last Year. The average selling price of nickel cathode was RMB89,908 per tonne, representing an increase of 6.1% as compared with that of the Same Period Last Year. The sales volume of nickel cathode was 3,870 tonnes, representing a decrease of 16.8% as compared with that of the Same Period Last Year. The decrease in revenue of nickel cathode was due to that the Group adopted “to sell at better price” selling strategies for nickel cathode according to its market price, which was still at a low level during the Period. During the Period, the Group sold a total of 3,870 tonnes of nickel cathode, and the inventory of nickel cathode increased by 1,978 tonnes.

During the Period, the revenue of copper cathode of the Group increased by 71.4% to RMB238 million as compared with that of the Same Period Last Year. The average selling price of copper cathode decreased by 9.3% to RMB38,051 per tonne as compared with that of the Same Period Last Year. The sales volume of copper cathode of the Group increased by 89.1% to 6,248 tonnes as compared with that of the Same Period Last Year. The increase in revenue of copper cathode was due to the increase in sales volume of copper cathode as compared with that of the Same Period Last Year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the revenue of copper concentrates of the Group decreased by 52.1% to RMB19 million as compared with that of the Same Period Last Year. The average selling price of copper concentrates decreased by 23.3% to RMB7,294 per tonne as compared with that of the Same Period Last Year. The sales volume of copper concentrates of the Group decreased by 37.5% to 2,615 tonnes as compared with that of the Same Period Last Year. The decrease in revenue of copper concentrates was due to the decrease in sales price and volume of copper concentrates for the Period as compared with those of the Same Period Last Year.

During the Period, the revenue of other products of the Group amounted to RMB20 million (including sulfuric acid of RMB9.8 million, gold of RMB7.3 million and palladium of RMB3.2 million), which was basically same as that in the Same Period Last Year.

During the Period, the unit cost of sales of nickel cathode of the Group decreased by 8.0% to RMB71,063 per tonne as compared with that of the Same Period Last Year, the unit cost of sales of copper cathode increased by 12.7% to RMB41,938 per tonne as compared with that of the Same Period Last Year. The decrease in unit cost of sales of nickel cathode was mainly attributable the decrease in purchase price of raw material resulting in the decrease in the production cost of nickel cathode.

During the Period, the Group recorded gross profit of RMB48 million while the Group recorded gross profit amounted to RMB66 million in the Same Period Last Year. The decrease in gross profit of the Group was mainly due to the fact that the Group adopted “to sell at better price” selling strategies for nickel cathode according to its market price and the increase in inventory of nickel cathode for the Period.

Sales and marketing costs

During the Period, sales and marketing costs of the Group were RMB16 million, representing a decrease of 9.6% as compared with that of the Same Period Last Year, mainly due to the decrease in transportation costs due to the decrease in sales volume of nickel cathode and sulfuric acid as compared with that of the Same Period Last Year.

Administrative expenses

During the Period, the administrative expense of the Group decreased by 10.3% to RMB51 million as compared with that of the Same Period Last Year as a result of the decreased employee remuneration and other related expenses.

Finance expenses – net

Finance expenses – net of the Group for the Period increased to RMB50 million as compared with that of the Same Period Last Year of RMB49 million, mainly due to the fact that the Company replaced certain short-term working capital loans by medium- and long-term working capital loans, resulting in the increase in interest of borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment income

Investment income of the Group for the Period was RMB4 million while investment gain was RMB0.5 million for the Same Period Last Year. The increase in investment income of the Group for the Period as compared with that of the Same Period Last Year was mainly due to the increase in investment income from net profit of joint venture recognized by the Group as compared with that of the Same Period Last Year.

Financial position

The consolidated balance sheet of the Group remains strong. As at 30 June 2020, owners' equity decreased by 1.3% to RMB4,198 million as compared with that as of 31 December 2019, mainly due to the loss during the Period. As at 30 June 2020, total assets increased by 1.3% to RMB7,673 million as compared with that as of 31 December 2019.

For the six months ended 30 June 2020, the Group's net cash inflows generated from operating activities was RMB151.4 million. As compared to the net cash inflow of RMB1.2 million in the Same Period Last Year, there was an increase in the inflow of RMB150.2 million, primarily due to the significant increase in the sales volume of the Group's main products cathode copper as compared with the Same Period Last Year, resulting in increased sales revenue during the Period. The net cash outflow used in investment activities were RMB53.8 million, which were mainly attributable to the purchase of financial assets and equipment for various technological renovation and expansion projects and their construction costs as offset by disposal of financial assets and the income from the short-term asset management by the Group. The net cash outflows used in financing activities amounted to RMB132.4 million, which were mainly attributable to the repayment of bank borrowings by the Group during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had total cash and cash equivalents amounting to RMB232.5 million (31 December 2019: RMB267.2 million), and the total borrowings of the Group amounted to RMB2,003.2 million (31 December 2019: RMB2,084.5 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB1770.7 million (31 December 2019: RMB1,817.3 million) and the gearing ratio (net debts divided by total capital*) was 29.67% (31 December 2019: 29.94%).

	As at 30 June 2020	As at 31 December 2019
Current Ratio (<i>Times</i>)	1.2	1.1
Gearing Ratio (<i>net debts/total capital*</i>)	29.67%	29.94%

* Total capital: net debts + total owners' equity

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the aggregate amount of borrowings of the Group was RMB2,003.2 million, of which, the loans for working capital of RMB1,219 million, the loans for working capital by Xinjiang Yakesi was RMB149.9 million, the loans for working capital by Kalatongke Mining was RMB634.3 million.

As at 30 June 2020, the Group's interest-bearing borrowings amounted to RMB2,003.2 million (31 December 2019: RMB2,084.5 million), including floating rate borrowings amounted to RMB805 million (31 December 2019: RMB1,085 million), fixed rate borrowings amounted to RMB1,198.2 million (31 December 2019: RMB999.5 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 comprehensive income of the Group.

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 adopted for free transactions of Renminbi by the PRC government, fluctuations in exchange rates may adversely affect the value, translated or converted into Hong Kong dollars, of the Group's net assets, earnings and any dividends declared by the Company.

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 Committee 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 variable 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 2020, the Group's interest-bearing debts were mainly floating rate borrowings contracts, fixed rate borrowings contracts and interest-bearing bond payable denominated in RMB, which totaled RMB2,003.2 million (31 December 2019: RMB2,084.5 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 2020, a restricted bank deposit of RMB104.2 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 2020, there were no charges or pledges of assets in the Group.

MATERIAL LITIGATION

During the period from year 2014 to 2016, Shaanxi Mingtai Engineering Construction Co., Ltd. ("Shaanxi Mingtai"), a minority shareholder of Shaanxi Xinxin Mining Co., Ltd.* (陝西新鑫礦業有限公司) ("Shaanxi Xinxin") which is a subsidiary of the Group, obtained four bank loans aggregately amounting to RMB330 million (the "Loans") and issued SME bonds amounting to RMB400 million (the "Bonds"), which were guaranteed by Xi An Investment Holding Co., Ltd. ("Xi An Investment"). Shaanxi Xinxin provided an unauthorised counter-guarantee in respect of the four Loans and Bonds to Xi An Investment under an asset disposal entrustment agreement. As Shaanxi Mingtai was unable to repay the four Loans, Bonds and related interest when they fell due, Xi An Investment repaid the four Loans, Bonds and related interest on behalf of Shaanxi Mingtai and claimed against the respective counter-guarantors.

In January 2019, the Company was notified that four court judgments in relation to the four Loans which were passed by the Intermediate People's Court of the Xi'an City of Shaanxi Province of the PRC (the "Xi'an Intermediate People's Court") (the "Four Court Judgments") have been granted against Shaanxi Xinxin. Shaanxi Xinxin and the other respective counter-guarantors under the four Loans were held jointly and severally liable to Xi An Investment's claim in respect of the RMB330 million Loan according to the Four Court Judgments. Following the advice of the Company's PRC legal adviser, Shaanxi Xinxin made four separate applications for re-trial to the Higher People's Court of the Shaanxi Province of the PRC (the "Shaanxi Higher People's Court") to set aside the Four Court Judgments and ask that Xi An Investment be ordered to pay costs. The Shaanxi Higher People's Court has, in four separate judgments handed down in June 2019, ordered that the relevant four cases be handed back to the Xi'an Intermediate People's Court for re-trial and the execution of the Four Court Judgments be suspended.

MANAGEMENT DISCUSSION AND ANALYSIS

The Xi'an Intermediate People's Court handed down four re-trial first instance judgments in December 2019, under which the court ruled that Shaanxi Xinxin is no longer jointly and severally liable for the awarded amounts pertaining to the disputes of the guarantee obligations set out in the Four Court Judgments (the "Re-trial First Instance Judgments"). Xi'an Investment subsequently filed an appeal. In June 2020, the Shaanxi Higher People's Court handed down four re-trial second instance judgments in respect of Xi An Investment's appeals against the four Re-trial First Instance Judgments. Pursuant to these four re-trial second instance judgments, the relevant appeals filed by Xi An Investment were dismissed with cost, the rulings under the relevant Re-trial First Instance Judgments shall stay and these four re-trial second instance judgments shall be the final judgments for the relevant four cases.

In relation to the Bonds, Xi An Investment's claim (amounting to approximately RMB486 million) is in progress. Xi An investment filed an amended statement of claims and listed additional defendants in respect of the claims, and Shaanxi Xinxin was included among the defendants. The case was heard at the Higher People's Court of the Shaanxi Province of the PRC on 1 July 2020 and the results are to be announced. For details, please refer to the announcements issued by the Company on 21 February 2019, 22 February 2019, 15 March 2019 and 1 June 2020.

As at 30 June 2020 and 31 December 2019, the Group's provision for pending litigation based on the best estimate of the above-mentioned cases amounted to RMB161.53 million and RMB161.52 million, respectively and all the non-current assets of Shaanxi Xinxin for collateral were reclassified to and as shown in the other current assets.

CONTINGENT LIABILITIES

Save as disclosed in Notes 7 and 8(5)(f) to the unaudited consolidated interim financial statements of the Group, the Group had no other significant contingent liabilities as at 30 June 2020.

MAJOR ACQUISITIONS AND DISPOSAL

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

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

As at the date of this report, the Group did not have any significant event after balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020	
	<i>RMB'000</i>	<i>% to Total</i>
Mining, ore processing and smelting and complementary operations in Kalatongke Mining	41,259	48.3%
Refining and complementary operations in Fukang Refinery	11,113	13.0%
Mining and ore processing operations in Xinjiang Yakesi	29,528	34.6%
Smelting and complementary operations of Xinjiang Zhongxin Mining Company Limited	3,350	3.9%
Research and development of non-ferrous metal industrial products and storage base project of Beijing Xinding Shunze High Technology Co., Ltd.	149	0.2%
Total	85,399	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, technological innovation and expansion projects for converter melting, expansion project for sulfuric acid tail gas absorption facilities and ore processing renovation project, and plans to invest approximately RMB151.8 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 RMB137.0 million.

Xinjiang Yakesi and Hami Jubao will further improve the mining and processing projects, and plans to invest approximately RMB50.9 million.

The capital expenditure of the Group for the exploration projects is planned to be approximately RMB8.8million.

The capital expenditure of the Group for the acquisition of fixed assets is planned to be approximately RMB5.3 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 2020.

COMMITMENTS

Commitments of the Group as at 30 June 2020 are disclosed in Note 9 to the unaudited consolidated interim financial statements.

DIRECTORS' INTEREST

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACT

As at 30 June 2020, 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 2020, the interests 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		Total interests	Classes of share	Percentage of aggregate interests to relevant class of share	Percentage of aggregate interests to the total share
	Personal interest	Corporate interests				
Zhou Chuanyou		480,924,000	480,924,000	Domestic share (Note 1)	33.14	21.76
			5,000,000	H share	0.66	0.23

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.

Save as disclosed above, none of the directors and supervisors of the Company or their respective associates had, as at 30 June 2020, any interests 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' 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 2020 is as follows:

	Number of shares issued	% of capital	Nominal value RMB'000
Registered, issued and fully paid			
Domestic shares of RMB0.25 each	1,451,000,000	65.66%	362,750
H shares of RMB0.25 each	759,000,000	34.34%	189,750
	2,210,000,000	100.00%	552,500

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

So far as known to any director or supervisor of the Company, as at 30 June 2020, the persons or companies (other than a director or supervisor of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Number of shares held	Class of share	Approximate percentage of shareholding of 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)有限責任公司)	885,204,000 (L)	Domestic share	61.01	40.06
Shanghai Yilian (Note)	282,896,000 (L)	Domestic share	19.50	12.80
Zhongjin Investment (Note)	198,028,000 (L)	Domestic share	13.65	8.96
The National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會)	51,884,000 (L)	H share	6.84	2.35

(L) = Long positions

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

* The English name is a translation of the Chinese name and provided for reference only.

Save as disclosed above, as at 30 June 2020, the directors of the Company were not aware of any other person (other than a director or supervisor of the Company) who had interests 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 2020 (Nil for 2019).

EMPLOYEES AND WELFARE

As at 30 June 2020, the Group had a total of 2,186 employees. Breakdowns by functions and divisions are as follows:

Division	No. of Employees	% to Total
Management and administration	148	6.77%
Engineering technician	179	8.19%
Production staff	1,486	67.98%
Repair and maintenance	290	13.27%
Inspection	72	3.29%
Sales	11	0.50%
Total	2,186	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%-18%, 6% to 9%, 0.5% and 12%, respectively, of its employees' total monthly basic salary. The Group also contributes 0.65% 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") and Corporate Governance Report 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 two meetings (with an attendance rate of 15/17).

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 meetings during the Period (with an attendance rate of 5/5).

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, all the directors, supervisors and senior management 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. Wong Yik Chung John, with Mr. Hu Benyuan serving as the Chairman. The Audit Committee has reviewed the unaudited financial results 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.*
Zhang Guohua
Chairman

Xinjiang, the PRC, 21 August 2020

CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2020 Consolidated	31 December 2019 Consolidated	30 June 2020 Company	31 December 2019 Company
Current assets					
Cash at bank and in hand	4(1), 15(1)	336,693,934.76	371,222,129.15	298,789,369.93	339,150,579.45
Financial assets held for trading	4(2), 15(2)	21,000,000.00	60,000,000.00	21,000,000.00	50,000,000.00
Account receivable	4(3), 15(3)	239,537,674.67	107,249,769.95	217,940,322.01	83,396,092.83
Financing receivable	4(4), 15(4)	40,170,000.00	51,993,646.40	35,250,000.00	33,050,000.00
Advances to suppliers	4(5), 15(5)	48,742,568.36	40,860,599.23	225,632,389.47	371,298,603.86
Other receivables	4(6), 15(6)	67,012,403.56	48,823,342.10	874,339,473.64	523,051,027.38
Inventories	4(7), 15(7)	1,487,164,187.76	1,451,735,332.67	1,180,334,674.85	1,050,251,974.47
Other current assets	4(8), 15(8)	269,713,134.04	260,248,745.91	49,707,806.81	34,983,264.37
Total current assets		2,510,033,903.15	2,392,133,565.41	2,902,994,036.71	2,485,181,542.36
Non-current assets					
Long-term receivable	15(9)	—	—	788,000,000.00	963,500,000.00
Long-term equity investments	4(9), 15(10)	165,702,898.46	161,986,527.90	2,561,921,009.39	2,564,072,136.08
Fixed assets	4(10), 15(11)	2,759,186,501.54	2,830,389,240.46	472,204,376.20	492,911,291.46
Construction in progress	4(11)	1,364,757,544.52	1,314,386,648.41	89,972,856.14	83,729,980.65
Intangible assets	4(12), 15(12)	681,769,819.81	693,684,140.68	43,128,368.67	43,740,764.96
Goodwill	4(13)	27,832,805.11	27,832,805.11	—	—
Deferred tax assets	4(28), 15(13)	131,879,623.41	118,417,525.55	84,464,931.91	76,252,465.76
Other non-current assets	4(14)	31,798,510.77	34,196,468.27	—	—
Total non-current assets		5,162,927,703.62	5,180,893,356.38	4,039,691,542.31	4,224,206,638.91
TOTAL ASSETS		7,672,961,606.77	7,573,026,921.79	6,942,685,579.02	6,709,388,181.27
LIABILITIES AND OWNERS' EQUITY	<i>Note</i>	30 June 2020 Consolidated	31 December 2019 Consolidated	30 June 2020 Company	31 December 2019 Company
Current liabilities					
Short-term borrowings	4(24)(b)	236,000,000.00	550,000,000.00	236,000,000.00	100,000,000.00
Financial liabilities held for trading		149,695,172.67	—	—	—
Notes payable	4(16), 15(15)	544,640,000.00	341,500,000.00	544,640,000.00	341,500,000.00
Accounts payable	4(17), 15(16)	335,550,277.16	296,698,642.73	277,184,585.81	273,786,815.08
Contract liabilities	4(18), 15(17)	67,273,346.87	55,791,572.03	10,035,671.05	5,933,233.28
Employee benefits payable	4(19), 15(18)	47,842,183.47	54,518,416.67	19,074,487.47	22,149,755.81
Taxes payable	4(20), 15(19)	17,343,686.02	18,311,642.71	431,171.67	274,776.43
Other payables	4(21), 15(20)	105,041,234.53	114,259,535.57	16,982,574.45	31,364,849.08
Current portion of non-current liabilities	4(22)	346,000,000.00	531,000,000.00	335,000,000.00	221,000,000.00
Provision	4(23)	161,528,834.17	161,519,379.04	—	—
Total current liabilities		2,010,914,734.89	2,123,599,188.75	1,439,348,490.45	996,009,429.68

CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

As at 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	30 June 2020 Consolidated	31 December 2019 Consolidated	30 June 2020 Company	31 December 2019 Company
Non-current liabilities					
Long-term borrowings	4(24)(a)	1,271,500,000.00	1,003,500,000.00	648,000,000.00	823,500,000.00
Long-term payables	4(25)	13,390,500.00	14,971,941.11	–	–
Provisions	4(26)	9,173,044.22	8,914,433.33	–	–
Deferred income	4(27)	30,330,280.42	28,596,575.75	1,511,120.00	1,541,786.00
Deferred tax liabilities	4(28)	139,534,824.19	140,448,056.11	–	–
Total non-current liabilities		1,463,928,648.83	1,196,431,006.30	649,511,120.00	825,041,786.00
Total liabilities		3,474,843,383.72	3,320,030,195.05	2,088,859,610.45	1,821,051,215.68
Owners' equity					
Share capital	4(29)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	4(30)	4,258,569,997.76	4,258,569,997.76	4,254,754,857.49	4,254,754,857.49
Special reserve	4(31)	7,682,198.04	–	2,243,220.47	–
Surplus reserve	4(32)	249,625,789.74	249,625,789.74	249,625,789.74	249,625,789.74
Accumulated Losses	4(33)	(862,055,696.83)	(799,745,024.20)	(205,297,899.13)	(168,543,681.64)
Total equity attributable to shareholders of the Company		4,206,322,288.71	4,260,950,763.30	4,853,825,968.57	4,888,336,965.59
Non-controlling interests	5(1)	(8,204,065.66)	(7,954,036.56)	–	–
Total owners' equity		4,198,118,223.05	4,252,996,726.74	4,853,825,968.57	4,888,336,965.59
TOTAL LIABILITIES AND OWNERS' EQUITY		7,672,961,606.77	7,573,026,921.79	6,942,685,579.02	6,709,388,181.27

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

Legal representative:
Zhang Guohua

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Wang Tong

CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2019 Consolidated	Six months ended 30 June 2020 Company	Six months ended 30 June 2019 Company
1. Revenue	4(34),15(21)	632,144,292.32	594,381,270.66	597,689,176.52	542,535,848.20
Less: Cost of sales	4(34),15(21)	(580,297,789.57)	(527,964,543.24)	(615,520,014.90)	(549,884,493.23)
Taxes and surcharges	4(36)	(14,097,434.18)	(14,736,204.03)	(2,978,027.05)	(3,065,969.53)
Selling and distribution expenses	4(37)	(16,430,159.14)	(18,178,571.68)	(4,711,899.36)	(4,376,985.56)
General and administrative expenses	4(38)	(51,403,221.70)	(57,336,216.16)	(17,860,782.20)	(18,345,297.92)
Financial expenses-net	4(39),15(22)	(50,125,886.43)	(48,521,441.24)	831,250.89	(27,979,935.39)
Including: Interest expenses		(51,476,282.73)	(50,489,028.72)	(31,292,627.12)	(30,432,828.95)
Interest income		3,374,914.70	3,164,939.08	33,838,502.61	2,954,563.35
Assets impairment losses	4(15), 4(40), 15(14)	-	(107,947.42)	-	-
Losses from changes in fair value	4(42)	-	-	-	-
Add: Other income	4(43)	867,811.64	1,533,583.87	128,919.87	30,666.00
Investment income	4(41),15(24)	4,386,368.44	514,366.00	(1,745,923.36)	30,871,085.87
Including: Share of (loss)/ gain of joint venture		(2,151,126.69)	(1,216,671.63)	(2,151,126.69)	2,821,489.47
Gains on disposal of non-current assets	4(42)	38,504.84	-	-	-
2. Operating loss		(74,917,513.78)	(70,415,703.24)	(44,167,299.59)	(30,215,081.56)
Add: Non-operating income	4(44)	220,270.24	174,476.24	36,878.44	13,141.19
Less: Non-operating expenses	4(45)	(3,200,146.62)	(502,632.86)	(836,262.49)	(218,720.14)
3. Total loss		(77,897,390.16)	(70,743,859.86)	(44,966,683.64)	(30,420,660.51)
Less: Income tax expenses	4(46),15(25)	15,301,587.40	9,838,254.71	8,212,466.15	4,981,727.60
4. Net loss		(62,595,802.76)	(60,905,605.15)	(36,754,217.49)	(25,438,932.91)
Classified by continuity of operations:					
Net loss from continuing operations		(62,595,802.76)	(60,905,605.15)	(36,754,217.49)	(25,438,932.91)
Net loss from termination of operations		-	-	-	-
Classified by owner's equity:					
Net loss attributable to Shareholders of the Company		62,310,672.63	(59,172,790.12)	(36,754,217.49)	(25,438,932.91)
Net loss attributable to non-controlling interests	5(1)	(285,130.13)	(1,732,815.03)	-	-
5. Other comprehensive income after tax		-	-	-	-

CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2019 Consolidated	Six months ended 30 June 2020 Company	Six months ended 30 June 2019 Company
6. Total comprehensive loss		(62,595,802.76)	(60,905,605.15)	(36,754,217.49)	(25,438,932.91)
Comprehensive loss attributable to shareholders of the Company		(62,310,672.63)	(59,172,790.12)	(36,754,217.49)	(25,438,932.91)
Comprehensive loss attributable to non-controlling interests		(285,130.13)	(1,732,815.03)	–	–
7. Loss per share					
Basic loss per share	四(47)	(0.028)	(0.027)	–	–
Diluted loss per share	四(47)	(0.028)	(0.027)	–	–

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

Legal representative:
Zhang Guohua

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Wang Tong

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

Note	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2019 Consolidated	Six months ended 30 June 2020 Company	Six months ended 30 June 2019 Company
1. Cash flows from operating activities				
Cash received from sales of goods or rendering of services	463,765,351.42	412,986,011.36	544,110,341.86	486,713,764.78
Cash received relating to other operating activities 4(48)(a)	7,177,342.93	6,501,894.00	33,874,769.57	578,296,270.42
Sub-total of cash inflows	470,942,694.35	419,487,905.36	577,985,111.43	1,065,010,035.20
Cash paid for goods and services	(140,015,298.69)	(170,418,925.65)	(423,018,152.40)	(257,009,220.67)
Cash paid to and on behalf of employees	(127,986,975.56)	(142,470,852.43)	(50,905,123.09)	(56,096,415.17)
Payments of taxes and surcharges	(24,443,043.82)	(77,624,597.08)	(6,588,809.53)	(19,955,367.63)
Cash paid relating to other operating activities 4(48)(b)	(27,114,261.86)	(27,744,955.52)	(20,107,963.65)	(8,022,867.54)
Sub-total of cash outflows	(319,559,579.93)	(418,259,330.68)	(500,620,048.67)	(341,083,871.01)
Net cash flows generated from operating activities	151,383,114.42	1,228,574.68	77,365,062.76	723,926,164.19
2. Cash flows from investing activities				
Cash received from returns on investments	669,997.88	1,731,037.63	405,203.33	28,049,596.38
Cash received from disposal of fixed assets and other long-term assets	251,432.73	11,473.89	199,656.04	10,000.00
Cash received from disposal of financial assets	1,779,300,000.00	1,051,500,000.00	1,769,300,000.00	1,041,500,000.00
Cash received relating to other investing activities 4(48)(c)	65,000,000.00	61,000,000.00	323,445,516.95	34,163,977.09
Sub-total of cash inflows	1,845,221,430.61	1,114,242,511.52	2,093,350,376.32	1,103,723,573.47
Cash paid to acquire fixed assets and other long-term assets	(80,731,166.20)	(119,652,393.21)	(15,470,244.07)	(32,570,749.57)
Cash paid to acquire financial assets	(1,740,300,000.00)	(895,000,000.00)	(1,740,300,000.00)	(885,000,000.00)
Cash paid to provide loans to subsidiaries	—	—	(421,407,383.21)	(898,000,000.00)
Cash paid relating to other investing activities 4(48)(d)	(77,976,580.00)	(61,000,000.00)	(77,976,580.00)	(61,000,000.00)
Sub-total of cash outflows	(1,899,007,746.20)	(1,075,652,393.21)	(2,255,154,207.28)	(1,876,570,749.57)
Net cash flows (used in)/generated from investing activities	(53,786,315.59)	38,590,118.31	161,803,830.96	(772,847,176.10)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2020 Consolidated	Six months ended 30 June 2019 Consolidated	Six months ended 30 June 2020 Company	Six months ended 30 June 2019 Company
3. Cash flows from financing activities					
Cash received from borrowings		885,695,172.67	1,400,000,000.00	286,000,000.00	983,000,000.00
Sub-total of cash inflows		885,695,172.67	1,400,000,000.00	286,000,000.00	983,000,000.00
Cash repayments of borrowings		(967,000,000.00)	(1,599,209,380.00)	(211,500,000.00)	(894,500,000.00)
Cash payments for interest expenses		(51,056,739.51)	(45,094,324.65)	(30,661,306.67)	(32,108,355.46)
Sub-total of cash outflows		(1,018,056,739.51)	(1,644,303,704.65)	(242,161,306.67)	(926,608,355.46)
Net cash flows (used in)/generated from financing activities		(132,361,566.84)	(244,303,704.65)	43,838,693.33	56,391,644.54
4. Effect of foreign exchange rate changes on cash and cash equivalents		-	-	-	-
5. Net (decrease)/increase in cash and cash equivalents	4(49)(a)	(34,764,768.01)	(204,485,011.66)	(40,600,074.87)	7,470,632.23
Add: Cash and cash equivalents at beginning of year	4(49)(a)	267,229,062.22	489,204,494.36	235,160,112.52	256,605,078.36
6. Cash and cash equivalents at end of year	4(49)(b)	232,464,294.21	284,719,482.70	194,559,929.38	264,075,710.99

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

Legal representative:
Zhang Guohua

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Wang Tong

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

	Attributable to shareholders' equity of the Company					Sub-total	Non-controlling interests (note 5(1))	Total owners' equity
	Share capital (note 4(29))	Capital surplus (note 4(30))	Specific reserve (note 4(31))	Surplus reserve (note 4(32))	Accumulated losses (note 4(33))			
Balance at 1 January 2019	552,500,000.00	4,258,569,997.76	-	249,625,789.74	(827,165,586.11)	4,233,530,201.39	(5,376,431.60)	4,228,153,769.79
Movements for the period ended 30 June 2019								
Comprehensive profit								
– Net loss	-	-	-	-	(59,172,790.12)	(59,172,790.12)	(1,732,815.03)	(60,905,605.15)
Total comprehensive loss	-	-	-	-	(59,172,790.12)	(59,172,790.12)	(1,732,815.03)	(60,905,605.15)
Appropriation to specific reserve	-	-	17,042,632.75	-	-	17,042,632.75	28,215.68	17,070,848.43
Utilisation of specific reserve	-	-	(10,948,446.29)	-	-	(10,948,446.29)	-	(10,948,446.29)
Balance at 30 June 2019	552,500,000.00	4,258,569,997.76	6,094,186.46	249,625,789.74	(886,338,376.23)	4,180,451,597.73	(7,081,030.95)	4,173,370,566.78
Balance at 1 January 2020	552,500,000.00	4,258,569,997.76	-	249,625,789.74	(799,745,024.20)	4,260,950,763.30	(7,954,036.56)	4,252,996,726.74
Movements for the period ended 30 June 2020								
Comprehensive profit								
– Net loss	-	-	-	-	(62,310,672.63)	(62,310,672.63)	(285,130.13)	(62,595,802.76)
Total comprehensive loss	-	-	-	-	(62,310,672.63)	(62,310,672.63)	(285,130.13)	(62,595,802.76)
Appropriation to specific reserve	-	-	19,060,673.77	-	-	19,060,673.77	35,101.03	19,095,774.80
Utilisation of specific reserve	-	-	(11,378,475.73)	-	-	(11,378,475.73)	-	(11,378,475.73)
Balance at 30 June 2020	552,500,000.00	4,258,569,997.76	7,682,198.04	249,625,789.74	(862,055,696.83)	4,206,322,288.71	(8,204,065.66)	4,198,118,223.05

The following notes is a part of financial statement.

Legal representative:
Zhang Guohua

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Wang Tong

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

	Share capital	Capital surplus	Specific reserve	Surplus reserve	Accumulated losses	Total owners' equity
Balance at 1 January 2019	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(260,699,429.21)	4,796,181,218.02
Movements for the period ended 30 June 2019						
Comprehensive income						
– Net profit	-	-	-	-	(25,438,932.91)	(25,438,932.91)
Total comprehensive income	-	-	-	-	(25,438,932.91)	(25,438,932.91)
Appropriation to specific reserve	-	-	3,671,523.82	-	-	3,671,523.82
Utilisation of specific reserve	-	-	(726,017.51)	-	-	(726,017.51)
Balance at 30 June 2019	552,500,000.00	4,254,754,857.49	2,945,506.31	249,625,789.74	(286,138,362.12)	4,773,687,791.42
Balance at 1 January 2020	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(168,543,681.64)	4,888,336,965.59
Movements for the period ended 30 June 2020						
Comprehensive income						
– Net profit	-	-	-	-	(36,754,217.49)	(36,754,217.49)
Total comprehensive income	-	-	-	-	(36,754,217.49)	(36,754,217.49)
Appropriation to specific reserve	-	-	3,579,182.10	-	-	3,579,182.10
Utilisation of specific reserve	-	-	(1,335,961.63)	-	-	(1,335,961.63)
Balance at 30 June 2020	552,500,000.00	4,254,754,857.49	2,243,220.47	249,625,789.74	(205,297,899.13)	4,853,825,968.57

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

Legal representative:
Zhang Guohua

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Wang Tong

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(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 is established with the total equity of RMB300,000,000.00 divided into 300,000,000 shares of RMB1 each.

On 19 May 2006, the Company issued 80,000,000 new shares 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 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 of 6,272,000 domestic shares held by it in the Company to Shaanxi Guangyou Trading Co., Ltd. (“Shaanxi Guangyou”) by means of 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 21 August 2020.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(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 regards of provisions for doubtful debts of receivables (note 2(9)), measurement of inventories (note 2(10)), depreciation of fixed assets and amortisation of intangible assets (note 2(12), (15)) and revenue recognition (note 2(24)).

The criterion of adoption of important accounting policies and accounting estimates by the Group is listed in note 2(30).

(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 consolidated financial statements are prepared on a going concern basis.

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

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

The financial statements of the Company for the period ended 30 June 2020 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 30 June 2020 and of their financial performance, cash flows and other information for the year 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 30 June 2020
(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 absorbing party in a business combination are measured at the carrying amount. 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 of 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.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and 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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(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)

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 perspective of the Group in 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 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments

A financial instrument is a contract that forms the financial assets of a party and forms the financial liabilities or equity instruments of other parties. When the Group becomes a party to a financial instrument contract, it confirms the financial assets or financial liabilities involved.

(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 benefits; (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. For the accounts receivable or notes receivable arising from the sales of products or services that do not contain or do not take into account significant financing components, the Group determines the amount of the consideration to be received as the initial recognition amount.

Debt instruments

The debt instruments held by the Group refer to the tools that are in line with the definition of financial liabilities from the issuer's point of view. 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 recognizes 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 mature within one year since the balance sheet date (including one years) 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 30 June 2020

(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)

Debt instruments (continued)

at fair value through other comprehensive income (FVOCI):

The group's business model for managing such financial assets is achieved both by collecting contractual cash flows and selling 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 effective interests method are recognised in the current profit and loss. Such financial assets are presented as other debt investments, and other debt investments mature within one year since the balance sheet date (including one year) are presented as non-current assets that mature in one year, and other debt investments that have a period of one year (including one year) are presented as other current assets.

at fair value through profit or loss (FVPL):

Debts that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss as financial assets held for trading. In the initial recognition, the group designates some financial assets as financial assets at fair value through profit or loss in order to eliminate or significantly reduce the accounting mismatch. For those mature and are expected to be held more than one year from the balance sheet date, they are presented as other non-current assets.

Equity instruments

Investments in equity instruments that the Group has no control, jointly control or significant influence are measured at fair value through profit or loss and presented as financial assets held for trading on the balance sheet. For those mature and are expected to be held more than one year from the balance sheet date are presented as other non-current assets.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(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

For the Group recognise provision based on expected credit losses for amortised cost and FVOCI, contract assets and financial guarantee contracts.

Based on reasonable information such as past events, current conditions and economic forecasts, the Group calculate the default-risk-weighted present value of the difference between the agreed and expected cash flow to project the default loss of our contracts.

At each balance sheet date, the Group measures expected credit losses for financial instruments at different stages respectively. At first stage, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses; At second stage, the credit risk on a financial instrument has increased significantly but not to the point that it is considered credit-impaired, the Group measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses. At third stage, financial instrument is considered credit-impaired, the Group measure the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses.

For financial instruments with lower credit risk on the balance sheet day, the Group assumes that its credit risk has not increased significantly since its initial confirmation, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The Group calculates interest income for financial instruments that are in Phase I and Phase II, as well as for lower credit risk, in accordance with their book balances and real interest rates, which are not deducted from the impairment value. For financial instruments in phase III, interest income is calculated on the basis of the amount of the surplus cost and the actual interest rate after the book balance has been reduced.

For notes receivable, accounts receivable, accounts receivable financing and contract assets formed by daily business activities such as selling goods and providing services, the group will measure the loss reserves according to the expected credit loss of the whole duration, regardless of whether there is significant financing component. For lease receivables, the group also chooses to measure the loss reserves according to the expected credit loss of the whole duration.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(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 single financial asset is unable to measure expected credit loss by reasonable cost, the Group would according to credit risk characteristics group accounts receivable into serial group, then calculate the expected credit loss. The Group determines the basis of the group as follows:

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

For the receivables, lease receivables and notes receivable financing formed by daily business activities such as selling goods and providing 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 situation, through the default risk exposure and the expected credit loss rate in the whole duration. In addition to the notes receivable, receivables financing and other receivables divided into portfolios, 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 situation, through the default risk exposure and the expected credit loss rate within the next 12 months or the whole duration.

The Group recognise 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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(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

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.

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 instrument is recognised in retained earnings.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

The financial liabilities of the Group mainly financial instruments which are measured by the amortization cost, including notes payable and Accounts payable, other payables, Borrowings and bond payable. The financial liabilities are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Financial liabilities with maturities no more than one year are classified as current liabilities. financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as 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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments (continued)

(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 active market, the fair value is determined by using a valuation technique with enough available data and other information to support in current situation. Valuation techniques include market approach, income approach and 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 market inputs can not be obtained, we shall use unobservable market inputs.

(10) Inventories

(a) Classification

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

(b) Costing of 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 decline in the value of inventories

Provision for 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 costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

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

(11) Long-term equity investments

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

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers and of which the Group can only enjoy rights of the net assets. Associates are the investees that the Group has significant influence on their financial and operating policies.

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 and associates are accounted for using the equity method. Accounting policies of joint ventures and associates are consistent with the policies adopted by the Group.

(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 actually 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 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 30 June 2020

(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 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 are recognised. 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 existence of control, jointly control or significant influence over investees

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

Joint control is the contractually agreed sharing of control over an 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.

(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(19)).

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*For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)*

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

(12) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, mining structures, machinery, motor vehicles, 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 revaluated 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 upon the adjusted carrying amounts over their remaining useful lives.

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(All amounts in RMB Yuan unless otherwise stated)

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

(12) Fixed assets (continued)

(b) Depreciation methods of fixed assets (continued)

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.

- (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(19)).

(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.

(13) 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 from 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(19)).

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(All amounts in RMB Yuan unless otherwise stated)

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

(14) 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 applied discounted to the initial amount of the borrowings.

(15) 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 19 to 33 years.

(b) Exploration rights

Exploration rights acquired by business combination 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.

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For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(15) Intangible assets (Continued)

(c) Land use 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 the 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, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

(e) 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(19)).

(16) 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 project.

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 its 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.

(17) 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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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(All amounts in RMB Yuan unless otherwise stated)

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

(18) 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 the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, 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 are 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 the 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 is able to 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.

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(All amounts in RMB Yuan unless otherwise stated)

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

(20) Employee benefits

Employee benefits mainly include short-term employment benefit, post-employment benefits and termination benefits incurred in exchange for service rendered by employees or labour relation 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. The 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 plan and defined benefit plan. Defined contribution is post-employment benefits plan in which the Group is not obliged to make further payment after paying a certain amount to individual funds. Defined benefit plans is other post-employment benefits plan except for defined contribution plan. During the period, post-employment benefits mainly include basic social pension security and unemployed insurance, both of which are defined contribution plan.

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 salaries of the employees, basic pensions are provided for monthly according to stipulated proportions, which is 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 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

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

(20) Employee benefits (continued)

(c) Termination benefits

Termination benefits are payables when employment is terminated by the Group before the employment contract expire, or compensation provided as an offer to encourage employees to accept voluntary redundancy. The Group recognizes 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 recognizes costs for restructuring which involving the payment of termination benefits.

(d) Early retirement benefits

The Group provides early retirement benefits to employees who accept early retirement arrangements. Early retirement benefits mean wages and social insurance charges paid for those employees who voluntarily remove themselves from their posts with the approval of the management of the Group before their normal retirement ages. The Group pays early retirement benefits for the period from the early retirement date to their normal retirement date. The Group accounts for early retirement benefits as termination benefits. When the recognition criteria in respect of termination benefits are met, the early retirement benefits proposed to be paid by the Group are recognised as liabilities, with a corresponding charge to profit or loss for the period. The difference resulting from the charge of actuarial assumptions and benefit level is recognised as profit or loss as occurred.

The termination benefits which will be paid off in the next financial year are listed as current liabilities in the balance sheet.

(21) 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 actually received. After the completion of the specific project, the expenditure that form assets is recognized 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 approved.

(22) Dividend distribution

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

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(23) Provisions

Provisions for closure of tailings and environmental restoration are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will 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 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.

(24) Revenue recognition

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

(a) Sale of goods

Revenue is recognised when the rights and risks of the products have been transferred to the purchaser, the Group has no control of the products, the economic benefits associated with the transaction will flow to the Group and the related revenue can be reliably measured.

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For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(25) Safety fund

Pursuant to regulation No. [2012]16, "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 fund. 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 industry should accrue safety fund 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 reserve. The safety expenditures of the Group that are formed into fixed assets through 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, 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.

(26) Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy and 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 the long-term assets. Government grants related to income refer to the 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 systemic basis 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 current period. The Group applies the presentation method consistently to the 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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(27) 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.

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 is able to 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 tax payer within the Group and the same taxation authority; and
- that tax payer within the Group has a legally enforceable right to offset current tax assets against current tax liabilities.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

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

(28) Leases

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

As lessee:

The Group recognizes the right-to-use assets at the beginning of the lease term and recognizes 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 actually 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.

For short-term leases with a lease period not exceeding 12 months and leases of low-value assets with brand-new value, the Group chooses not to recognize the right-to-use assets and lease liabilities, and the relevant lease payment are recognized on a straight-line basis over the period of the lease, and are either capitalized as part of the cost of related assets, or charged as an expense for the current period.

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 lease.

(a) Operating lease

When the Group operates rented houses, buildings, machinery and equipment and means of transport, income from an operating lease is recognized on a straight-line basis over the period of the lease. The variable rent determined by a certain proportion of sales will be included in the rental income when it actually occurs.

(29) 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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(30) Critical accounting estimates and assumptions

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.

Critical accounting estimates and key assumptions

The critical accounting estimates and key assumptions that 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) *Carrying value of evaluate non-current assets*

The Group annually evaluate whether fixed assets, construction in progress, land use rights, mining rights and exploration rights have suffered from any impairment due to events or changes in circumstances indicating that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policy stated in note 2(19) to the financial statements.

As at 30 June 2020, there was no impairment provided for fixed assets, construction in progress, land use rights, mining rights and exploration rights. As determined by management, a group of assets that is able to generate independent cash flows includes fixed assets, construction in progress, land use rights, mining rights and exploration rights which can be determined as an independent cash generating unit, of which the recoverable amounts have been determined based on value-in-use calculations using cash flow projections approved by management and management's assumptions and estimates of selling price of metals, discount rates and inflation rate. The discount rate used to calculate the value-in-use is 14%, of which is a pre-tax discount rate that reflects the specific risks of relevant business. The major assumptions and estimates used in the recoverable value calculation of assets include forecast of selling price of nickel and copper, discount rates and inflation rate.

(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 use of estimates (note 2(19)).

As at 30 June 2020, 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.

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For the six months 30 June 2020
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(30) Critical accounting estimates and assumptions (continued)

Critical accounting estimates and key assumptions (continued)

(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(27), 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.

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 material adjustment to the carrying amount of deferred income tax.

As at 30 June 2020, deferred tax assets of RMB131,879,623.41 have been recognised in the Group's balance sheet. As stated in note 4(28)(d), the Group still has unrecognised deductible temporary losses of RMB92,200,935.75 at 30 June 2020. 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 are obtained, a recognition or reversal of deferred tax assets may arise accordingly.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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(All amounts in RMB Yuan unless otherwise stated)

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

(30) Critical accounting estimates and assumptions (continued)

Critical accounting estimates and key assumptions (continued)

(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 charges where useful lives are less than previously estimated lives.

(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 at 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. Depreciation rates are determined based on mineral reserve quantity being mined (the denominator) and capitalised costs of mining structures (the numerator). The capitalised cost of mining structures is amortised based on the units of non-ferrous metals produced.

(vi) *Net realisable value of inventories*

The net realisable value of inventories is under management's regular review, and as a result, write-down of inventories is recognised for the excess of inventories' carrying amounts over their net realisable value. Write-down evaluation needs judgment and estimate of the management. Once difference occurs between the expectation and the original estimate will influence the book value of the current inventory and inventory shrinkage.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

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

(30) Critical accounting estimates and assumptions (continued)

Critical accounting estimates and key assumptions (continued)

(vii) *Measurement of expected credit losses*

The group calculates the expected credit losses through default exposures and expected credit loss rates, and determines the expected credit loss rate based on default probability and default loss rate. 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 uses indicators such as the risk of an economic slowdown, the external market environment and changes in the customer situation. The group regularly monitors and reviews assumptions related to the calculation of expected credit losses. The above estimation techniques and key assumptions have not changed significantly for the six months ended 30 June 2020.

(viii) *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 the way in which financial asset performance is evaluated and reported to key managers, the risks affecting financial asset performance, and how they are managed, and the way in which the relevant business managers receive compensation.

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.

(ix) *Provisions for pending litigations*

Based on the evidence available, the Group estimates and judges whether the pending litigations will result in the Group's possibility of undertaking current obligations. If the management believes the Group has assumed current obligation due to pending litigations, and the Group can make the best estimate of the required expenditure, the Group recognises the best estimate of the required expenditure to settle the current obligations related to pending litigations as provisions (Note 4(23)). Changes in the above estimate may result in significant adjustments to provisions.

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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 turnover amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	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% (note (3))
Urban construction tax	VAT and business tax	7%/5%/1%
Education surcharge	VAT and business 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))

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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3 TAXATION (CONTINUED)

(1) Corporate income tax

The Group applies the PRC Corporate Income Tax Law 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) According to the 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] No. 45) and relevant standards announced by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, newly purchased equipments of less than RMB5 million can be included in the current costs in the next month when the assets are put into use. The costs can be deducted from taxable income of current year at one time, instead of being included in annual depreciation.
- (b) On 6 April 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax, and the Company has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. The Company calculated and paid corporate income tax using the preferential rate of 15% in 2020 after communication with local tax authorities (2019: 15%).
- (c) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% in 2020 (2019: 25%).
- (d) The subsidiary Xinjiang Yakesi Resource Development Co., Ltd (hereafter "Xinjiang Yakesi") as obtained the recognition that its business is within the catalogue of encouraged industries from the committee of Economics and information of Xinjiang Uygur Autonomous Region Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% in 2020 after communication with local tax authorities (2019: 15%).
- (e) The subsidiary, Hami Jubao Resource Development Co., Ltd. (hereafter "Hami Jubao"), has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Hami Jubao calculated and paid corporate income tax using the preferential rate of 15% in 2020 after communication with local tax authorities (2019: 15%).
- (f) The subsidiary, Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter "Kalatongke Mining") has obtained the recognition that its business is within the catalogue of encouraged industries from the Committee of Economics and Information of Xinjiang Uygur Autonomous Region. Kalatongke Mining calculated and paid corporate income tax using the preferential 15% in 2020 after communication with local tax authorities (2019:15%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (CONTINUED)

(1) Corporate income tax (continued)

- (g) The subsidiary, Xinjiang Mengxi Mining Co., Ltd. (hereafter “Mengxi Mining”), applied the Small-Scaled Minimal Profit Enterprise income tax preferential policy announced by the State Administration of Taxation. Mengxi Mining calculated and paid corporate income tax for the preferential taxable income using the preferential rate of 20% in 2020 after communication with local tax authorities (2019: 20%).
- (h) Other subsidiaries, including Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter “Zhongxin Mining”), Beijing Xinding Shunze High Technology Co., Ltd. (hereafter “Beijing Xinding”) and Shaanxi Xinxin Mining Co., Ltd (hereafter “Shaanxi Xinxin”) are subject to corporate income tax rate of 25% in 2020 (2019: 25%).

(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%, The VAT rate applicable to this business is 16% until 1 April 2019.

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) Resources 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% 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 Minging, Xingjiang 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)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2020	31 December 2019
Cash on hand	17,912.34	25,688.03
Cash at bank	232,446,381.87	267,203,374.19
Restricted cash at banks (a)	104,229,640.55	103,993,066.93
	336,693,934.76	371,222,129.15

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

	30 June 2020	31 December 2019
Deposits for issue of bank acceptance notes	86,583,640.55	103,993,066.93
L/C Guarantee deposits	17,646,000.00	–
	104,229,640.55	103,993,066.93

(2) Financial assets held for trading

	30 June 2020	31 December 2019
Financial assets that at fair value and through profit and loss	21,000,000.00	60,000,000.00

(3) Accounts receivable

	30 June 2020	31 December 2019
Accounts receivable	243,908,115.96	111,620,211.24
Less: provision for bad debts	(4,370,441.29)	(4,370,441.29)
	239,537,674.67	107,249,769.95

The Group conducted sales transactions mainly through cash on delivery, cash receipts in advance or bank acceptance notes. For other sales transactions, credit terms were granted not exceeding 180 days.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

(a) Aging-of-accounts analysis of accounts receivable:

	30 June 2020	31 December 2019
Less than one year	220,285,756.04	88,595,427.32
One to two years	2,113,525.17	1,825,999.29
Two to three years	310,050.12	2,271,568.55
Three to four years	2,271,568.55	9,263,023.37
Four to five years	9,263,023.37	2,646,407.66
More than five years	9,664,192.71	7,017,785.05
	243,908,115.96	111,620,211.24

(b) On 30 June 2020, the top five accounts receivable were analysed as follows:

	Ending Balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	237,227,691.37	—	97.26%

(c) No accounts receivable terminated due to transfer of financial assets during the period.

(d) Provision for bad debts

	30 June 2020	31 December 2019
Provision for bad debts of Accounts Receivable	(4,370,441.29)	(4,370,441.29)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

(d) Provision for bad debts (continued)

The group measure provision for bad debts based on the provision credits losing whether it has majority financing process.

(i) On 30 June 2020, the related provision of bad debts of Accounts receivable analysis as follows:

Group – Related parties:

	30 June 2020			31 December 2019		
	Ending Balance	Provision for bad debts		Ending Balance	Provision for bad debts	
		Expected credit loss rate throughout the duration			Expected credit loss rate throughout the duration	
	Amount		Amount	Amount		Amount
Not overdue	15,148,128.48	-	-	24,250,720.48	-	-
1-6 months overdue	4,844,060.76	-	-	-	-	-
7-18 months overdue	216,898.47	-	-	526,948.59	-	-
More than 18 months overdue	18,968,225.62	7.68%	(1,456,617.80)	18,658,175.50	7.81%	(1,456,617.80)
	39,177,313.33		(1,456,617.80)	43,435,844.57		(1,456,617.80)

Group – Non-related parties:

	30 June 2020			31 December 2019		
	Ending Balance	Provision for bad debts		Ending Balance	Provision for bad debts	
		Expected credit loss rate throughout the duration			Expected credit loss rate throughout the duration	
	Amount		Amount	Amount		Amount
Not overdue	200,810,134.95	-	-	64,344,706.84	-	-
1-6 months overdue	81,007.85	-	-	-	-	-
7-18 months overdue	1,299,050.70	30.00%	(389,715.21)	1,299,050.70	30.00%	(389,715.21)
More than 18 months overdue	2,540,609.13	99.35%	(2,524,108.28)	2,540,609.13	99.35%	(2,524,108.28)
	204,730,802.63		(2,913,823.49)	68,184,366.67		(2,913,823.49)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

(d) Provision for bad debts (continued)

(ii) This period's amount of provision for bad debts is RMB0, did not occur to recover or revert to the provision of bad debts.

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

(f) As at 31 December 2019 and 30 June 2020, there is no accounts receivable pledged as collaterals to bank for borrowings.

(4) Financing Receivables

	30 June 2020	31 December 2019
Financing Receivables	40,170,000.00	51,993,646.40

The Group and its subsidiaries endorse most bank acceptance notes according to the needs of their daily fund management, so bank acceptance notes are classified as financial assets measured at fair value and their changes are included in other comprehensive income and listed as financing receivables.

There were no provision for the impairment of the bank acceptance notes assessed individually. The Group believes that the bank acceptance notes held by the bank does not have a significant credit risk, and will not cause significant losses due to bank default.

As at 30 June 2020, the Group has no pledged bank acceptance notes receivable listed in financing receivables.

As at 30 June 2020, the Group's endorsements or discounted but yet outstanding notes for financing receivables are as follows:

	Terminated confirmation	Untermiated confirmation
Bank acceptance notes	337,432,058.99	—

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For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Advances to suppliers

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

	30 June 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	35,149,740.93	72.11%	34,293,683.94	83.93%
1 to 2 years	8,854,874.00	18.17%	2,259,321.28	5.53%
2 to 3 years	1,296,828.33	2.66%	950,288.40	2.33%
Over 3 years	3,441,125.10	7.06%	3,357,305.61	8.21%
	48,742,568.36	100.00%	40,860,599.23	100.00%

As at 30 June 2020, advances to suppliers over 1 year with carrying amount of RMB13,592,827.43 (31 December 2019: RMB6,566,915.29) were mainly advances paid for purchasing raw materials.

(b) As at 30 June 2020, the top five advances to suppliers were analysed as follows:

	Amount	% of total balance
Total amount of the top five advances to suppliers	20,798,074.91	42.67%

(6) Other receivables

	30 June 2020	31 December 2019
Accounts receivable from related parties (note 8(6)(b))	54,850,983.62	41,925,689.28
Accounts receivable from equity and debt transfer (a)	5,812,100.00	5,812,100.00
Environmental management deposit	3,991,966.21	3,991,966.21
Futures margin	—	150,000.00
Others	10,265,800.14	4,852,033.02
	74,920,849.97	56,731,788.51
Less: provision for bad debts (b)	(7,908,446.41)	(7,908,446.41)
	67,012,403.56	48,823,342.10

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (continued)

- (a) Amount due from equity and debt transfer was the receivables resulted from the transfer of equity and debt of Tibet Puxiong Mining Co., Ltd. – an associate of Xinjiang Yakesi in 2013.

(b) The movement of ending balance and provision for bad debts

- (1) On 30 June 2020, the analysis of provision for bad debts of other receivables in the first stage was as follows:

	Ending Balance	Expected credit losses in the next 12 months	Provision for bad debts	Reason
On the grouping basis:				
Relate party	54,850,983.62	–	–	
Staff Reserve	626,203.43	–	–	
Other	11,631,562.92	0.83%	(96,346.41)	
	67,108,749.97		(96,346.41)	

- (2) On 30 June 2020, the analysis of bad debts for other receivables on the individual basis was analysed as follows:

	Ending Balance	Expected credit losses in whole period	Provision for bad debts	Reason
In the second stage				
Transfer of debt receivable	5,812,100.00	100.00%	(5,812,100.00)	1)
Funds receivable from Bei'a Railway Co., Ltd	2,000,000.00	100.00%	(2,000,000.00)	2)
	7,812,100.00		(7,812,100.00)	

- 1) On 30 June 2020, the amount of accounts receivable of equity and debts transfer from Gansu Ximai New Material Technology Co., Ltd is RMB5,812,100.00. However, because they have financial strain and also involve several lawsuit, the group believe that it is hard to collect these money and re-classified it into provision for bad debt.
- 2) On 30 June 2020, the amount of accounts receivable from Xinjiang Bei'a Railway Co., Ltd. is RMB2,000,000.00. However, because the construction project Beitun Ataile Railway do not have significant progress, the group believe that it is an unsuccessful investment, which should account as provision for bad debt.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (Continued)

(b) The movement of ending balance and provision for bad debts (Continued)

(3) On 30 June 2020, the Group did not have other receivables in the third stage.

(c) This period has no provision for bad debt and the Group do not receive or carry-back provision for bad debt.

(d) This period do not have other receivable's cancel after verification.

(e) As at 30 June 2020, the top five other receivables were analysed as follows:

Loan	Nature	Ending Balance	Ageing	Ageing % of total balance	Provision of bad debts
Hami Hexin Mining	Loan	30,732,566.30	Within 1 year	41.02%	–
Hami Jinhui Real Estate Development Co., Ltd.	Transfer of receivables	23,165,038.20	1-2 year	30.92%	–
Gansu Ximai New Material Technology Transaction of Co., Ltd	Transfer of equity and debt	5,812,100.00	Over 5 years	7.76%	(5,812,100.00)
Hami Natural bureau.	Security Fund	3,991,966.21	Within 1 year	5.33%	–
Xinjiang Property Exchange Co., Ltd.	Security Fund	2,410,000.00	Within 1 year	3.22%	–
		66,111,670.71		88.25%	(5,812,100.00)

(7) Inventories

(a) Classification of inventories was as follows:

	30 June 2020			31 December 2019		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	211,584,830.24	(4,336,822.90)	207,248,007.34	235,740,647.08	(4,336,822.90)	231,403,824.18
Work in progress	129,683,280.76	–	129,683,280.76	143,549,770.38	–	143,549,770.38
Semi-finished goods	753,827,838.93	–	753,827,838.93	809,183,878.33	–	809,183,878.33
Finished goods	399,991,792.82	(3,998,027.73)	396,405,060.73	271,595,887.51	(3,998,027.73)	267,597,859.78
	1,495,087,742.75	(7,923,544.99)	1,487,164,187.76	1,460,070,183.30	(8,334,850.63)	1,451,735,332.67

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Inventories (continued)

(b) Provisions for declines in value of inventories were analysed as follows:

	31 December 2019	Increase in current period Accrualment	Decrease in current period Sold	30 June 2020
Raw materials	(4,336,822.90)	—	—	(4,336,822.90)
Finished goods	(3,998,027.73)	—	411,295.64	(3,586,732.09)
	(8,334,850.63)	—	411,295.64	(7,923,554.99)

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 reasons for decrease of provision for finished goods was sales of the inventories.

(8) Other current assets

	30 June 2020	31 December 2019
Other current assets that reclassified from long term assets	210,192,828.20	210,193,424.18
Input VAT to be deducted	49,188,179.54	39,723,195.43
Prepaid income tax	10,332,126.30	10,332,126.30
	269,713,134.04	260,248,745.91

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Long-term equity investments

	30 June 2020	31 December 2019
Joint venture (a)	165,702,898.46	161,986,527.90
Less: provision of long-term equity investments	—	—
	165,702,898.46	161,986,527.90

The joint venture investment is non-listed and does not have significant limitation of transfer.

(a) Joint ventures

		Additions/(Reductions) During the Period							30 June 2020	Provision for impairment
31 December 2019	Increase in investment	Share of net profit using the equity method (note 4 (43))	Offsetting the unrealised loss of internal transaction (note 5 (2)b)	Other comprehensive income adjustment	Other changes in equity	Cash dividend or profit declared	Impairment provided in the current year			
Hexin Mining	161,986,527.90	–	(2,151,126.69)	5,867,497.25	–	–	–	–	165,702,898.46	–

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 joint venture.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Fixed assets

(a) Fixed assets

	Buildings	Mining structure	Machinery and equipment	Motor vehicles	Electronic and office equipment	Total
Cost						
31 December 2019	1,816,948,288.25	1,032,075,348.90	1,532,397,653.97	48,582,425.87	103,505,935.88	4,533,509,652.87
Additions						
Purchase	2,693,553.11	–	7,951,343.02	530,013.13	738,882.37	11,913,791.63
Transfer-in from construction in progress (note 4(11)(a))	21,252,435.90	–	–	–	1,861,469.34	23,113,905.24
Reductions						
Other disposal and retirement	(485,461.00)	–	–	(541,557.00)	–	(1,027,018.00)
Other decrease	–	–	(1,699,848.15)	–	–	(1,699,848.15)
30 June 2020	1,840,408,816.26	1,032,075,348.90	1,538,649,148.84	48,570,882.00	106,106,287.59	4,565,810,483.59
Accumulated depreciation						
31 December 2019	518,905,577.47	235,662,647.14	838,993,426.11	39,735,435.49	69,823,326.20	1,703,120,412.41
Accrue ment	34,071,217.79	17,150,962.51	47,976,309.40	990,433.05	4,128,737.00	104,317,659.75
Other disposal and retirement	(295,804.96)	–	–	(518,285.15)	–	(814,090.11)
30 June 2020	552,680,990.30	252,813,609.65	886,969,735.51	40,207,583.39	73,952,063.20	1,806,623,982.05
Net Book Value						
30 June 2020	1,287,727,825.96	779,261,739.25	651,679,413.33	8,363,298.61	32,154,224.39	2,759,186,501.54
31 December 2019	1,298,042,710.78	796,412,701.76	693,404,227.86	8,846,990.38	33,682,609.68	2,830,389,240.46

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Fixed assets (continued)

(a) Fixed assets (continued)

For the six months period ended 30 June 2020, depreciation expense of fixed assets amounted to RMB104,317,659.75 (for the six months period ended 30 June 2019: RMB100,633,555.94), of which RMB98,872,115.30 were charged to cost of sales, RMB5,396,701.05 to general and administrative expenses, RMB48,843.40 to selling expense (for the six months period ended 30 June 2019: RMB95,556,485.50, RMB5,024,997.28 RMB52,073.16, respectively).

The costs of fixed assets transferred-in from construction in progress amounted to RMB23,113,905.24 for the six months period ended 30 June 2020 (for the six months period ended 30 June 2019 is RMB1,563,636.35).

(b) Temporarily idle fixed assets

On 30 June 2020, fixed assets with carrying amount of RMB15,115,463.50 (cost of RMB64,272,511.17) were temporarily idle for the purpose of production facility improvement (31 December 2019: RMB15,115,463.50 (cost of RMB64,272,511.17)), and analysed as follows:

	Costs	Accumulated depreciation	Net Book Value
Machinery and equipment	33,388,902.14	(30,072,986.16)	3,315,915.98
Buildings	30,013,025.40	(18,290,113.61)	11,722,911.79
Electronic and office equipment	870,583.63	(793,947.90)	76,635.73
	64,272,511.17	(49,157,047.67)	15,115,463.50

(c) Fixed assets with pending certificates of ownership

On 30 June 2020, the net book value of RMB432,208,934.28 of buildings were 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.

(11) Construction in progress

	30 June 2020	31 December 2019
Construction in progress (a)	1,364,739,995.18	1,314,369,099.07
Construction materials (b)	17,549.34	17,549.34
	1,364,757,544.52	1,314,386,648.41

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress (continued)

(a) Construction in progress

	30 June 2020			31 December 2019		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
The Company:						
Headquarters						
Periphery Cooper mining in fuyun Kalatongke	2,160,359.38	–	2,160,359.38	2,160,359.38	–	2,160,359.38
Office building renovation project	1,778,655.60	–	1,778,655.60	1,778,655.60	–	1,778,655.60
Fukang Refinery						
Final stage improvements for 10,000 tons of nickel	3,396,048.11	–	3,396,048.11	3,396,048.11	–	3,396,048.11
Nickel system release cobalt project	9,075,325.58	–	9,075,325.58	8,308,290.77	–	8,308,290.77
Compression and leaching of copper slag project	5,990,793.47	–	5,990,793.47	2,507,054.98	–	2,507,054.98
Installation project of nickel starting plate processing units and nickel packaging units	19,400,840.88	–	19,400,840.88	19,400,840.88	–	19,400,840.88
IV. Zone electrolytic cell technology renovation project	17,818,662.45	–	17,818,662.45	17,818,662.45	–	17,818,662.45
Other projects	30,334,621.33	–	30,334,621.33	28,342,519.14	–	28,342,519.14
Sub-total of the Company	89,955,306.80	–	89,955,306.80	83,712,431.31	–	83,712,431.31

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress (continued)

(a) Construction in progress (continued)

	30 June 2020			31 December 2019		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Subsidiaries:						
Kalatongke Mining						
Final stage mining for 10,000 tons of nickel	123,476,137.22	–	123,476,137.22	118,777,448.11	–	118,777,448.11
Final stages of mining extension	107,467,303.38	–	107,467,303.38	100,417,186.97	–	100,417,186.97
Resource exploration project	36,195,831.70	–	36,195,831.70	34,934,268.58	–	34,934,268.58
Fugitive gas desulphurization project	42,557,285.44	–	42,557,285.44	24,418,490.65	–	24,418,490.65
1# Main shaft maintenance project	5,583,666.24	–	5,583,666.24	5,583,666.24	–	5,583,666.24
Tailings storage reclamation project	4,221,192.79	–	4,221,192.79	4,221,192.79	–	4,221,192.79
Tailings Depot Backwater Road	1,674,744.69	–	1,674,744.69	825,688.08	–	825,688.08
Excavation and Backfilling project						
Other constructions in progress for production	27,796,424.00	–	27,796,424.00	23,092,297.85	–	23,092,297.85
Xinjiang Yakes						
Huangshanxi mining and ore processing project	628,372,157.64	–	628,372,157.64	623,964,980.05	–	623,964,980.05
Other projects	642,759.43	–	642,759.43	642,759.43	–	642,759.43
Hami Jubao						
Huangshandong #12 mine project	112,944,344.88	–	112,944,344.82	112,924,555.02	–	112,924,555.02
Zhongxin Mining						
Other projects	5,446,325.04	–	5,446,325.04	2,596,674.66	–	2,596,674.66
Beijing Xinding						
Construction projects of the base for research and ware housing	178,406,515.93	–	178,406,515.93	178,257,459.33	–	178,257,459.33
Sub-total of subsidiaries	1,274,784,688.38	–	1,274,784,688.38	1,230,656,667.76	–	1,230,656,667.76
Total	1,364,739,995.18	–	1,364,739,995.18	1,314,369,099.07	–	1,314,369,099.07

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress (continued)

(a) Construction in progress (continued)

(i) Significant changes to construction in progress

Project name	Budget	31 December 2019	Current year adding	Transfer from fixed assets (note 4(10))	Transfer to fixed assets	Current year lossing	30 June 2020	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in current year	Capitalisation rate	Source of funds
The company:												
Headquarters												
Periphery Cooper mining in fuyun kalatongke	2,500,000.00	2,160,359.38	-	-	-	-	2,160,359.38	86.41%	-	-	-	Self funding
Office building renovation project	2,000,000.00	1,778,655.60	-	-	-	-	1,778,655.60	88.93%	-	-	-	Self funding
Fukang Refinery												
Final stage improvements for 10,000 tons of nickel	10,000,000.00	3,396,048.11	-	-	-	-	3,396,048.11	33.96%	-	-	-	Self funding
Nickel system release cobalt project	10,500,000.00	8,308,290.77	767,034.81	-	-	-	9,075,325.58	89.31%	-	-	-	Self funding
Compression and leaching of copper slag project	12,000,000.00	2,507,054.98	3,483,738.49	-	-	-	5,990,793.47	49.92%	-	-	-	Self funding
Installation project of nickel starting plate processing units and nickel packaging units	20,000,000.00	19,400,840.88	-	-	-	-	19,400,840.88	97.00%	-	-	-	Self funding
IV. Zone electrolytic cell technology renovation project	18,000,000.00	17,818,662.45	-	-	-	-	17,818,662.45	98.99%	-	-	-	Self funding
Other projects	65,344,882.23	28,342,519.14	2,001,536.15	-	(9,433.96)	-	30,334,621.33	99.56%	-	-	-	Self funding
Sub-total of the Company	140,344,882.23	83,712,431.31	6,252,309.45	-	(9,433.96)	-	89,955,306.80		-	-	-	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress (continued)

(a) Construction in progress (continued)

(i) Significant changes to construction in progress (continued)

Project name	Budget	31 December 2019	Current year adding	Transfer from fixed assets (note 4(10))	Transfer to fixed assets	Current year lossing	30 June 2020	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in current year	Capitalisation rate	Source of funds
Subsidiaries:												
Kalatongke Mining												
Final stage mining for 10,000 tons of nickel	131,132,831.10	118,777,448.11	4,698,689.11	-	-	-	123,476,137.22	98.40%	3,654,986.91	-	-	Self funding/ borrowing/ government grant
Final stages of mining extension	194,650,000.00	100,417,186.97	7,050,116.41	-	-	-	107,467,303.38	55.21%	-	-	-	Self funding
Resource exploration project	81,710,806.00	34,934,268.58	1,261,563.12	-	-	-	36,195,831.70	95.97%	-	-	-	Self funding/ government grant
Fugitive gas desulphurization project	80,000,000.00	24,418,490.65	18,138,794.79	-	-	-	42,557,285.44	53.20%	-	-	-	Self funding
1# Main shaft maintenance project	7,650,000.00	5,583,666.24	-	-	-	-	5,583,666.24	72.99%	-	-	-	Self funding
Tailings Depot Backwater Road Excavation and Backfilling project	2,100,000.00	825,688.08	849,056.61	-	-	-	1,674,744.69	91.74%	-	-	-	Self funding
Tailings storage reclamation project	4,601,100.00	4,221,192.79	-	-	-	-	4,221,192.79	79.75%	-	-	-	Self funding
Other constructions in progress for production	53,942,671.55	23,092,297.85	4,704,126.15	-	-	-	27,796,424.00	96.35%	-	-	-	Self funding
Xinjiang Yakes												
Huangshanxi mining and ore processing project	1,545,259,700.00	623,964,980.05	27,511,648.87	-	(23,104,471.28)	-	628,372,157.64	88.20%	140,830,607.95	-	2.81%	Self funding/ borrowing/ government grant
Other project	800,000.00	642,759.43	-	-	-	-	642,759.43	80.34%	-	-	-	Self funding
Hami Jubao												
Huangshandong #12 mine project	177,312,100.00	112,924,555.02	19,789.86	-	-	-	112,944,344.88	55.76%	-	-	-	Self funding
Zhongxin Mining												
Other projects	21,000,000.00	2,596,674.66	2,849,650.38	-	-	-	5,446,325.04	93.47%	-	-	-	Self funding/ government grant
Beijing Xinding												
Construction projects of the base for research and ware housing	179,000,000.00	178,257,459.33	149,056.60	-	-	-	178,406,515.93	99.67%	1,270,438.36	-	-	Self funding
Sub-total of subsidiaries	2,479,159,208.65	1,230,656,667.76	67,232,491.90	-	(23,104,471.28)	-	1,274,784,688.38		145,756,033.22	12,076,264.11		
Total	2,619,504,090.88	1,314,369,099.07	73,484,801.35	-	(23,113,905.28)	-	1,364,739,995.18		145,756,033.22	12,076,264.11		

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress (continued)

(b) Construction materials

	30 June 2020	31 December 2019
Construction materials	17,549.34	17,549.34

(12) Intangible assets

	Mining rights	Land use rights	Others	Total
Cost				
31 December 2019	699,654,158.24	223,620,457.11	2,301,341.15	925,575,956.50
Additions – Purchase	–	–	258,256.63	258,256.63
30 June 2020	699,654,158.24	223,620,457.11	2,559,597.78	925,834,213.13
Accumulated amortisation				
31 December 2019	180,073,952.84	49,958,009.26	1,859,853.72	231,891,815.82
Additions – Accrue ment	9,717,669.94	2,370,550.29	84,357.27	12,172,577.50
30 June 2020	189,791,622.78	52,328,559.55	1,944,210.99	244,064,393.32
Net book value				
30 June 2020	509,862,535.46	171,291,897.56	615,386.79	681,769,819.81
31 December 2019	519,580,205.40	173,662,447.85	441,487.43	693,684,140.68

For the six months 30 June 2020, amortisation expense of intangible assets amounted to RMB12,172,577.49 (For the six months 30 June 2019 is RMB11,241,080.42).

The exploration rights were acquired through the acquisition of Shaanxi Xinxin by the Group in 2011. As at 30 June 2020, the certificate of the exploration has expired. The group still applies for the extension of the validity period of the exploration rights, the application has not been approved yet.

As at 30 June 2020 and 31 December 2019, there was no impairment on intangible assets provided.

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For the six months 30 June 2020
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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Goodwill

	30 June 2020	31 December 2019
Zhongxin Mining	17,844,894.10	17,844,894.10
Xinjiang Yakesi and Hami Jubao	9,987,911.01	9,987,911.01
	27,832,805.11	27,832,805.11

The recoverable amount of assets group is calculated using discounted cash flow models in accordance with the approved three year budget by management. The cash flow beyond five years is extrapolated using the estimated growth rate below.

The key assumptions of discounted cash flow models were as follows:

	Zhongxin Mining	Xinjiang Yakesi and Hami Jubao
Growth rate	3%	3%
Gross margin	9%	21%
Discount rate	14%	14%

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 budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interests rates that are able to reflect the risks specific to the related asset groups and consolidation of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and the consolidation of asset groups.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(14) Other non-current assets

	30 June 2020	31 December 2019
Prepaid utilities (a)	31,798,510.77	34,196,468.27

(a) The balance represented the prepayment for utilities of Xinjiang Yakesi, which will be offset the utilities to be incurred in the future and the prepayment for equipment of kalatongke mining.)

(15) Provision for asset impairment

	31 December 2019	Current year Additions (note 4(40), 4(41))	Current year Decrease Sold (note 4(7)(b))	30 June 2020
Provision for bad debts	12,278,887.70	–	–	12,278,887.70
Including: Accounts receivable	4,370,441.29	–	–	4,370,441.29
Other receivables	7,908,446.41	–	–	7,908,446.41
Provision for decline in value of inventories	8,334,850.63		(411,295.64)	7,923,554.99
Provision for Goodwill impairment	254,745.09	–	–	254,745.09
	20,868,483.42	–	(411,295.64)	20,457,187.78

(16) Notes payable

	30 June 2020	31 December 2019
Bank acceptance notes	280,000,000.00	341,500,000.00
Domestic letter of Credit	264,640,000.00	–
	544,640,000.00	341,500,000.00

On June 30, 2020 and December 31, 2019, all bank acceptance bills will be due within 180 days, and the payable letters of credit will be due within 360 days

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(17) Accounts payable

	30 June 2020	31 December 2019
Payable for purchase of materials	265,793,306.99	223,644,524.21
Payable for purchase of services	59,834,637.77	61,240,663.23
Payable for transportation fees	7,038,555.91	9,928,129.66
Others	2,883,776.49	1,885,325.63
	335,550,277.16	296,698,642.73

(a) As at 30 June 2020, accounts payable over one year with carrying amount of RMB21,021,893.98 (31 December 2019: RMB16,313,567.66) were mainly payables for purchase of materials.

(b) The ageing of accounts payable based on their recording dates was analysed as follows:

	30 June 2020	31 December 2019
Within 3 months	231,462,660.68	236,393,991.31
3 to 6 months	45,863,007.05	20,163,720.29
Over 6 months	58,224,609.43	40,140,931.13
	335,550,277.16	296,698,642.73

(18) Contract Liabilities

	30 June 2020	31 December 2019
Advances for sales of goods	67,273,346.87	55,791,572.03

(a) On 31 December 2019, The balance of the Group's contract liabilities was RMB67,273,346.87, of which RMB18,524,689.02 has been recognized as revenue in 2020.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(19) Employee benefits payable

	30 June 2020	31 December 2019
Short-term employee benefits payable (a)	47,834,646.90	54,511,573.54
Defined contribution plans payable (b)	7,536.57	6,843.13
	47,842,183.47	54,518,416.67

(a) Short-term employee benefit payable

	31 December 2019	Current period additions	Current period payments	30 June 2020
Salaries, bonuses, allowances and subsidies	43,090,772.28	93,549,454.89	(100,855,237.88)	35,784,989.29
Staff welfare	–	6,233,958.96	(5,292,993.03)	940,965.93
Social insurances	4,981.51	4,853,189.23	(4,855,061.79)	3,108.95
Including: Medical insurance	2,732.61	4,596,963.97	(4,598,945.56)	751.02
Work injury insurance	9.50	241,504.29	(241,373.03)	140.76
Maternity insurance	44.46	601.39	(623.62)	22.23
Illness insurance	2,194.94	14,119.58	(14,119.58)	2,194.94
Housing funds	582,637.00	9,996,711.00	(10,001,014.00)	578,334.00
Labor union fund and employee education fund	10,394,473.75	2,363,582.27	(2,231,827.29)	10,526,228.73
Other short-time salary	438,709.00	1,819,796.93	(2,257,485.93)	1,020.00
	54,511,573.54	118,816,693.28	(125,493,619.92)	47,834,646.90

(b) Defined contribution plans payable

	31 December 2019	Current period additions	Current period payments	30 June 2020
Pension insurance	760.00	2,291,934.18	(2,291,111.44)	1,582.74
Unemployment insurance	6,083.13	74,250.62	(74,379.92)	5,953.83
	6,843.13	2,366,184.80	(2,365,491.36)	7,536.57

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(20) Taxes payable

	30 June 2020	31 December 2019
Value added tax payable	12,132,462.00	10,813,885.15
Resource tax	3,679,689.59	5,840,067.77
Urban construction tax payable	574,905.46	352,828.78
Educational surcharge payable	366,870.60	327,166.92
Individual income tax	158,079.24	285,943.52
Stamp duty	154,512.51	383,163.84
Environmental tariff	23,888.05	53,883.60
Income tax payable	4,378.19	20.42
Others	248,900.38	254,682.71
	17,343,686.02	18,311,642.71

(21) Other payables

	30 June 2020	31 December 2019
Payables due to related parties (note 8(6)(e))	29,746,673.04	36,510,930.57
Payables due to third parties for construction projects	27,594,653.78	31,217,206.08
Payables for purchase of equipments	16,151,344.79	14,961,853.20
Deposit for quality guarantee	4,229,371.34	3,855,548.22
Payable for professional service	1,120,079.98	2,729,034.93
Interest of borrowings	1,311,368.22	891,825.00
Others	24,887,743.38	24,093,137.57
	105,041,234.53	114,259,535.57

- (a) As at 30 June 2020, other payables over 1 year with carrying amount of RMB36,465,235.34 (31 December 2019: RMB38,087,197.41) were mainly payable for construction projects, equipment and deposit for quality guarantee. Due to the related projects have not been finished yet, these payable balance were not settled.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Current portion of non-current liabilities

	30 June 2020	31 December 2019
Current portion of long-term borrowings (note 4(24) (a))	346,000,000.00	531,000,000.00

(23) Provision

	31 December 2019	Current year additions	Current year reductions	30 June 2020
Pending litigation	161,519,379.04	9,455.13	–	161,528,834.17

During the period from year 2014 to 2016, Shaanxi Mingtai Engineering Construction Co., Ltd. ("Shaanxi Mingtai"), a minority shareholder of Shaanxi Xinxin which is a subsidiary of the Group, obtained four bank loans aggregately amounting to RMB330 million and issued SME bonds amounting to RMB400 million, which were guaranteed by Xi An Investment Holding Co., Ltd. ("Xi An Investment"). Shaanxi Xinxin provided an unauthorised counter-guarantee in respect of the loans and bonds to Xi An Investment under an asset disposal entrustment agreement.

In 2018, as Shaanxi Mingtai was unable to repay the four loans, bonds and related interest when they fell due, Xi An Investment repaid the loans, bonds and related interest on behalf of Shaanxi Mingtai. Shaanxi Xinxin and the other respective counter-guarantors under the four loans are jointly and severally liable to Xi An Investment's claim in respect of the RMB330 million bank loan according to the 2018 court judgments. Shaanxi Xinxin applied to the court for retrial in June 2019 and was accepted. The court issued re-trial first instance judgments in December 2019, under which the court ruled that the conditional guarantee obligations under the asset disposal entrustment agreements are without legal effect vis-à-vis Shaanxi Xinxin, and accordingly Shaanxi Xinxin is no longer be jointly and severally liable for the awarded amounts pertaining to the disputes of the guarantee obligations set out in the original 2018 court judgements. Xi'an Investment subsequently filed an appeal. In June 2020, the Shaanxi Higher People's Court has handed down four re-trial second instance judgments in respect of Xi An Investment's appeals against four Re-trial First Instance Judgments of the Xi'an Intermediate People's Court in relation to four Loans with an aggregate principal loan amount of RMB330 million plus interests and other cost. Pursuant to these four re-trial second instance judgments, the relevant appeals filed by Xi An Investment are dismissed with cost, the rulings under the relevant Re-trial First Instance Judgments shall stay and these four re-trial second instance judgments shall be the final judgments for the relevant four cases. In addition, Xi An Investment's claim in respect of the repayment of the RMB400 million SME bonds is still in progress. No judgment in respect of the claim has been handed down by the court. As at 30 June 2020 and 31 December 2019, the Group made a provision for pending litigation of RMB161,528,834.17 and RMB161,519,379.04 based on the best estimate made of the amount of the obligation and all the non-current assets of Shaanxi Xinxin for collateral were reclassified to and as shown in the other current assets.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Borrowings

(a) Long-term borrowings

	30 June 2020	31 December 2019
Unsecured loans	1,503,000,000.00	1,534,500,000.00
Less: current portion of long-term borrowings (note 4(22))	(231,500,000.00)	(531,000,000.00)
	1,271,500,000.00	1,003,500,000.00

As at 30 June 2020, the long-term borrowings were due for repayment since April 2020. The interests are paid on a quarterly basis. As at 30 June 2020, the interest rates of long-term borrowings were between 4.75% and 5.70% annually (31 December 2019: between 4.75% and 5.70%).

(b) Short-term borrowings

	30 June 2020	31 December 2019
Unsecured loans	236,000,000.00	550,000,000.00

On 30 June 2020, the interest rate of short-term borrowing is between 3.85% and 4.35% (31 December 2019 is between 4.61% and 4.75%)

(25) Long-term due payment

	31 December 2019	Current year additions	Current year reductions	30 June 2020
Water/power/air supply and property management	14,971,941.11	830,641.68	(2,412,082.79)	13,390,500.00

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(26) Provisions

	31 December 2019	Current year additions (note 4(39))	30 June 2020
Provision for close down, restoration and environmental costs	8,914,433.33	258,610.89	9,173,044.22

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 which has been determined by management based on their past experience and best estimate of future expenditure by discounting the expected expenditures to their net present value. However, in so far as the effect of the land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to revision in the future. The amounts provided in relation to close down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

(27) Deferred income

	31 December 2019	Current year increase	Current year decrease	30 June 2020	Causes
Government grants	28,596,575.75	6,304,651.90	(4,570,947.23)	30,330,280.42	Encourage enterprises development

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Deferred income (continued)

Government grants items	31 December 2019	Current year additions	Credited into other income (note 4(43))	Credited into non-operating income	30 June 2020	Asset related/ Income related
The Company:						
– Water resource utilisation project	494,666.26	–	(27,999.94)	–	466,666.32	Asset related
– Project on concentration of reducing sodium	47,119.74	–	(2,666.06)	–	44,453.68	Asset related
– Special funds for energy conservation	1,000,000.00	–	–	–	1,000,000.00	Asset related
Sub-total of the Company	1,541,786.00	–	(30,666.00)	–	1,511,120.00	
Subsidiaries:						
– Project on energy saving	2,434,444.38	20,000.00	(389,166.68)	–	2,065,277.70	Asset related
– Project on use of well water	1,080,000.00	–	(135,000.00)	–	945,000.00	Asset related
– Project on exploration of No. 2 mine in Kalatongke Mining	6,304,000.54	–	(131,333.28)	–	6,172,667.26	Asset related
– Project on technology improvement of nickel smelting	845,833.54	–	(87,499.98)	–	758,333.56	Asset related
– General improvement project	640,000.20	–	(79,999.98)	–	560,000.22	Asset related
– Subsidies for clean energy	900,000.00	–	(72,000.00)	–	828,000.00	Asset related
– Project on technology improvement of Yellow Mountain West	1,024,444.72	–	(26,666.64)	–	997,778.08	Asset related
– Online monitoring of pollution sources	160,000.20	–	(19,999.98)	–	140,000.22	Asset related
– Land use right	7,866,668.44	–	–	(104,888.94)	7,761,779.50	Asset related
– Gas device for composite desulfurization	2,500,000.00	–	–	–	2,500,000.00	Asset related
– Department of finance seedling special funds	639,999.96	–	(40,000.02)	–	599,999.94	Asset related
– Social security Subsidy project	–	977,326.90	(977,326.90)	–	–	Income related
– Final stages of mining extension	1,100,000.00	–	–	–	1,100,000.00	Asset related
– Others	1,509,397.77	5,307,325.00	(2,476,398.83)	–	4,340,323.94	Asset related/ Income related
– Safety production	50,000.00	–	–	–	50,000.00	Income related
Sub-total of Subsidiaries	27,054,789.75	6,304,651.90	(4,435,392.29)	(104,888.94)	28,819,160.42	
Total	28,596,575.75	6,304,651.90	(4,466,058.29)	(104,888.94)	30,330,280.42	

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Deferred income (continued)

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

Government grants	Nature	Amount	Presentation items
– Project on energy saving	recognised in loss	389,166.68	Other income
– Safety production	recognised in loss	–	Other income
– Project on use of well water	recognised in loss	135,000.00	Other income
– Project on exploration of No.2 mine in Kalatongke Mining	recognised in loss	131,333.28	Other income
– Land use right	recognised in loss	104,888.94	Non-operating income
– Project on technology improvement of nickel smelting	recognised in loss	87,499.98	Other income
– General improvement project	recognised in loss	79,999.98	Other income
– Subsidies for clean energy	recognised in loss	72,000.00	Other income
– Department of finance seedling special funds	recognised in loss	40,000.02	Other income
– Water resource utilisation project	recognised in loss	27,999.94	Other income
– Social security subsidy project	recognised in loss	977,326.90	Other income
– Project on technology improvement Huang mountain West	recognised in loss	26,666.64	Other income
– Online monitoring of pollution sources	recognised in loss	19,999.98	Other income
– Project on concentration of reducing sodium	recognised in loss	2,666.06	Other income
– Others	recognised in loss	2,476,398.83	Other income
		4,570,947.23	

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Deferred tax assets and deferred tax liabilities

(a) Deferred tax assets before offsetting

	30 June 2020		31 December 2019	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Unrealised profits	116,073,369.98	17,411,005.50	107,141,926.07	17,611,833.78
Deductible losses	547,486,182.59	91,824,443.52	478,265,846.88	78,303,674.14
Government grants	30,330,280.42	5,408,520.02	28,579,150.00	5,163,539.34
Assets impairment	101,156,335.07	15,199,000.47	101,567,630.71	15,301,824.39
Depreciation of fixed assets	18,484,108.54	3,074,622.84	18,484,108.54	3,074,622.84
	813,530,276.60	132,917,592.35	734,038,622.20	119,455,494.49
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		49,866,847.07		52,597,825.37
Deferred tax asset to be recovered after 1 year		83,050,745.28		66,857,669.12
		132,917,592.35		119,455,494.49

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Deferred tax assets and deferred tax liabilities (continued)

(b) Deferred tax liabilities before offsetting

	30 June 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combination involving entities not under common control (i)	560,589,457.37	137,244,164.66	565,209,740.80	138,157,396.58
Depreciation	22,190,856.45	3,328,628.47	22,190,856.45	3,328,628.47
	582,780,313.84	140,572,793.13	587,400,597.25	141,486,025.05
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		53,030,110.39		53,250,917.21
Deferred tax asset to be recovered after 1 year		87,542,682.74		88,235,107.84
		140,572,793.13		141,486,025.05

(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 2020	31 December 2019
Deductible losses	92,200,935.75	112,229,590.44
Deductible temporary differences	—	—
	92,200,935.75	112,229,590.44

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Deferred tax assets and deferred tax liabilities (continued)

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

	30 June 2020	31 December 2019
2020	—	25,451,347.97
2021	44,154,202.47	44,154,202.47
2022	19,803,158.29	19,803,158.29
2023	10,102,401.98	10,102,401.98
2024	12,718,479.73	12,718,479.73
2025	5,422,693.28	—
	92,200,935.75	112,229,590.44

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

	30 June 2020		31 December 2019	
	Setoff amount	Balances after offsetting	Setoff amount	Balances after offsetting
Deferred tax assets	1,037,968.94	131,879,623.41	1,037,968.94	118,417,525.55
Deferred tax liabilities	1,037,968.94	139,534,824.19	1,037,968.94	140,448,056.11

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Share capital

	30 June 2020		31 December 2019	
	Number of shares	% of issued capital	Number of shares	% of issued capital
Domestic shares	1,451,000,000.00	65.66%	1,451,000,000.00	65.66%
H share holders	759,000,000.00	34.34%	759,000,000.00	34.34%
	2,210,000,000.00	100.00%	2,210,000,000.00	100.00%

The par value of each share is RMB0.25, and the total share capital is RMB552,500,000.00 (note 1).

There was no movement of share capital of the Company in the ended 30 June 2020.

(30) Capital surplus

	31 December 2019	Current year additions	Current year deductions	30 June 2020
Contribution from Parent Company related to mining right (Note (1))	35,393,957.53	–	–	35,393,957.53
Share Premium (Note (2))	4,219,360,899.96	–	–	4,219,360,899.96
Other capital surplus – Others (Note (3))	3,815,140.27	–	–	3,815,140.27
	4,258,569,997.76	–	–	4,258,569,997.76

	31 December 2018	Current year additions	Current year deductions	31 December 2019
Contribution from Parent Company related to mining right (Note (1))	35,393,957.53	–	–	35,393,957.53
Share Premium (Note (2))	4,219,360,899.96	–	–	4,219,360,899.96
Other capital surplus – Others (Note (3))	3,815,140.27	–	–	3,815,140.27
	4,258,569,997.76	–	–	4,258,569,997.76

Note (1) It represented the difference between the fair value of mining rights acquired from Xinjiang Non-ferrous Group and the discounted net present value of long-term payable for the mining rights acquired, which is formed prior to be listed on the Hong Kong Stock Exchange in 2007.

Note (2) Share premium represented the difference between nominal value of share issued and the fair value of net assets/considerations received by the Company.

Note (3) Xinjiang Non-ferrous Group provided long-term interest-free borrowings to the Company. At the date of initial recognition, the difference between loan principal and the fair value of loan was recorded as capital surplus. As at 31 December 2017, this loan was repaid.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Specific reserve

	31 December 2019	Current year additions	Current year reductions	30 June 2020
Safety fund (Note)	–	19,060,673.77	(11,378,475.73)	7,682,198.04
	31 December 2018	Current year additions	Current year deductions	31 December 2019
Safety fund (Note)	–	40,638,205.83	(40,638,205.83)	–

Note: Pursuant to regulation No. [2012]16 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 10 (2019: RMB10) 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 RMB1 per ton, fourth level and fifth level are RMB1.5 per ton; at 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 safety fund is charged to production cost and credited to specific reserve. The safety expenditures that are expenses in nature are directly debited to specific reserve. Specific reserve expenditures of RMB11,378,475.73 were used for safety related projects for the period ended 30 June 2020 (the period ended 30 June 2019 is RMB10,844,471.19).

(32) Surplus reserve

	31 December 2019	Current year additions	Current year reductions	30 June 2020
Statutory surplus reserve fund	249,625,789.74	–	–	249,625,789.74
	31 December 2018	Current year additions	Current year deductions	30 June 2019
Statutory surplus reserve fund	249,625,789.74	–	–	249,625,789.74

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 against net losses or to increase share capital. The Company did not appropriate surplus reserve for the six months ended 30 June 2020 due to the Company lossing profit year (the period ended 30 June 2019: Nil).

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(33) Accumulated losses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Accumulated losses at the beginning of the year	(799,745,024.20)	(827,165,586.11)
Add: Net loss attributable to the shareholders of the Company for the year	(62,310,672.63)	27,420,561.91
Less: Appropriation for statutory reserve	—	—
Accumulated losses at the end of the year	(862,055,696.83)	(799,745,024.20)

(34) Revenue and cost of sales

	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue from main operation	625,192,437.17	590,013,271.78
Revenue from other operation	6,951,855.15	4,367,998.88
	632,144,292.32	594,381,270.66
	Six months ended 30 June 2020	Six months ended 30 June 2019
Cost of sales from main operation	577,538,338.31	523,630,815.69
Cost of sales from other operation	2,759,451.26	4,333,727.55
	580,297,789.57	527,964,543.24

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Revenue and cost of sales (continued)

(a) Revenue and cost of sales from 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 2020		Six months ended 30 June 2019	
	Revenue from main operation	Cost of sales of main operation	Revenue from main operation	Cost of sales of main operation
Nickel cathode	347,971,805.90	275,033,987.51	394,263,283.13	359,621,554.61
Copper cathode	237,748,441.24	262,037,007.87	138,678,979.92	122,969,255.93
Others	39,472,190.03	40,467,342.93	57,071,008.73	41,040,005.15
	625,192,437.17	577,538,338.31	590,013,271.78	523,630,815.69

(b) Revenue and cost of sales from other operation

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of sales from other operation
Sales of electricity	1,026,449.25	1,011,217.08	437,416.26	672,661.47
Scrap sales	2,775,927.97	59,375.96	2,136,255.53	–
Sales of materials	511,364.51	454,552.04	135,678.81	96,345.60
Orefield heating	922,454.05	922,454.05	67,309.27	67,309.27
Others	1,715,659.37	311,852.13	1,591,339.01	3,497,411.21
	6,951,855.15	2,759,451.26	4,367,998.88	4,333,727.55

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Expenses by nature

Cost of sales, selling and distribution expenses, general and administrative expenses in Income Statements by nature were shown as below:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Raw materials and consumables used	241,156,254.22	310,069,777.88
Other production fees	21,077,079.73	17,959,922.25
Employee benefits	121,182,878.08	132,616,464.73
Depreciation (note 4(10)a)	104,317,659.75	100,633,555.94
Reversal of inventory provision due to sales (note 4(7)(b))	(411,295.64)	(645,103.42)
Electricity costs	67,895,498.40	61,340,952.95
External labor costs	81,446,380.58	74,048,493.54
Safety fund (note 4(31))	19,060,673.77	17,042,632.75
Transportation fee	14,786,265.68	15,711,994.07
Amortisation of intangible assets	12,172,577.50	11,241,080.42
Taxation	11,911,727.11	9,914,788.18
Office expenses	1,974,360.72	1,659,987.93
Comprehensive support service charge (note 4(38))	1,613,207.52	1,613,207.52
Operating leases expenses	331,463.10	1,384,866.10
Changes in inventories of work in progress, semi-finished goods and finished goods (note 4(7)(a))	(59,173,376.29)	(162,458,621.76)
Others	8,789,816.18	11,345,332.00
	648,131,170.41	603,479,331.08

(36) Taxes and surcharges

	Six months ended 30 June 2020	Six months ended 30 June 2019	Tax base
Resource tax	3,155,292.82	3,501,780.53	Note 3
Property tax	4,630,603.48	4,587,323.75	Note 3
Education surcharge	1,896,837.01	1,988,424.37	Note 3
Urban construction tax	1,731,660.14	1,713,993.84	Note 3
Land use tax	1,876,647.13	1,874,493.73	
Stamp tax	733,768.36	821,668.72	
Others	72,625.24	248,414.09	
	14,097,434.18	14,736,204.03	

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(37) Selling and administration expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Transportation fee	14,786,265.68	15,711,994.07
Employee benefits	1,248,186.17	1,416,399.20
Travel and administrative expense	42,257.94	55,936.01
Depreciation	48,843.40	52,073.16
Others	304,605.95	942,169.24
	16,430,159.14	18,178,571.68

(38) General and administrative expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Employee benefits	30,471,934.60	32,298,349.03
Depreciation and amortisation	7,718,767.77	7,334,315.29
Professional services fee	1,547,704.25	4,684,458.66
Office expense	1,974,360.72	1,371,541.70
Comprehensive support service charge	1,613,207.52	1,613,207.52
Operating leases expenses	331,463.10	1,384,866.10
Others	7,745,783.74	8,649,477.86
	51,403,221.70	57,336,216.16

(39) Financial expenses – net

	Six months ended 30 June 2020	Six months ended 30 June 2019
Interest expense	55,429,268.84	57,517,034.49
Less: Capitalised interest expenses (note 4(11)(a))	(3,952,986.11)	(7,028,005.77)
Interest expenses	51,476,282.73	50,489,028.72
Less: Interest income	(3,374,914.70)	(3,164,939.08)
Bank charges	1,765,907.51	763,412.59
Unwinding of discount – net (note 4(26))	258,610.89	433,939.01
	50,125,886.43	48,521,441.24

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(40) Assets impairment losses (note 4(15))

	Six months ended 30 June 2020	Six months ended 30 June 2019
Provision for decline in value of inventories	–	107,947.42

(41) Investment income

	Six months ended 30 June 2020	Six months ended 30 June 2019
Net profit from a joint-venture under equity method (note 4(9)a)	(2,151,126.69)	2,821,489.47
Unrealised net profit between the joint-venture and the Group	5,867,497.25	(4,038,161.10)
Investment income from disposal of available-for-sale financial assets	669,997.88	1,731,037.63
	4,386,368.44	514,366.00

The Group do not have significant restrict of investment income repatriation

(42) Assets disposed income

	Six months ended 30 June 2020	Six months ended 30 June 2019	Amount recognised in non-recurring profit or loss for six months ended 30 June 2020
Assets disposed income	38,504.84	–	38,504.84

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For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(43) Other income

	Six months ended 30 June 2020	Six months ended 30 June 2019	Asset related/ Income related
Energy conservation and emission reduction subsidy	508,165.98	878,999.22	Asset related
Special funds for technological transformation	147,872.79	113,333.34	Asset related
Others	—	35,742.00	Asset related
Subtotal	656,038.77	1,028,074.56	
Safety fund	—	16,141.69	Income related
Enterprise social security subsidy	146,035.94	489,367.62	Income related
Others	65,736.93	—	Income related
Sub-total	211,772.87	505,509.31	
Total	867,811.64	1,533,583.87	

(44) Non-operating income

	Six months ended 30 June 2020	Six months ended 30 June 2019	Amount recognised in non-recurring profit or loss for six months ended 30 June 2020
Government grants (a)	108,488.94	104,888.94	108,488.94
Others	111,781.30	69,587.30	111,781.30
	220,270.24	174,476.24	220,270.24

(a) Details of government grants

	Six months ended 30 June 2020	Six months ended 30 June 2019	Asset related/ Income related
Land compensation	108,488.94	104,888.94	Asset related

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(45) Non-operating expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2020
Penalties and fines	722,664.00	310,760.32	722,664.00
Losses on scrap of fixed assets	–	70,806.61	–
Donations	2,400,000.00	–	2,400,000.00
Others	77,482.62	121,065.93	77,482.62
	3,200,146.62	502,632.86	3,200,146.62

(46) Income tax expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Current income tax	13,294.28	20,455.75
Deferred income tax	(15,314,881.68)	(9,858,710.46)
	(15,301,587.40)	(9,838,254.71)

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 below:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Consolidated total loss	(77,897,390.16)	(70,743,859.86)
Income tax expenses calculated at applicable tax rate of 25%	(19,474,347.54)	(17,685,964.97)
Effect of tax reductions	4,491,418.61	6,196,247.01
Income not subject to tax	(1,467,463.61)	(423,223.42)
Costs, expenses and losses not to be deducted	(206,868.18)	144,793.26
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	1,355,673.32	1,929,821.41
Clearance differences in respect of prior years	–	72.00
	(15,301,587.40)	(9,838,254.71)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(47) Loss per share

(a) Loss per share

Basic earnings/(loss) 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 2020	Six months ended 30 June 2019
Consolidated net loss attributable to shareholders of the Company	62,310,672.63	59,172,790.12
Weighted average number of ordinary shares in issue of the Company	2,210,000,000.00	2,210,000,000.00
Basic loss per share	0.028	0.027
Including		
– Basic loss per share under going concern	0.028	0.027
– Basic loss per share under discontinued operation	–	–

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing 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 2020 (for the six months ended 30 June 2019: Nil), diluted earnings per share equal to basic earnings per share.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(48) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Government grants received	3,652,428.23	2,778,000.00
Interest income	3,374,914.70	3,164,939.08
Others	150,000.00	558,954.92
	7,177,342.93	6,501,894.00

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Transportation expenses	14,786,265.68	15,855,678.30
Increase of restricted cash at bank	236,573.62	154,263.20
Professional service fee	1,547,704.25	2,535,047.58
Office expenses	1,974,360.72	1,659,987.93
Comprehensive supporting services	1,613,207.52	1,613,207.52
Leasing fees	331,463.10	1,384,866.10
Bank charges	1,765,907.51	763,412.59
Donations	2,400,000.00	—
Others	2,458,779.46	3,778,492.30
	27,114,261.86	27,744,955.52

(c) Cash received relating to other investing activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash repayments of loans from Hexin Mining	65,000,000.00	61,000,000.00

(d) Cash paid relating to other investing activities

	Six months ended 30 June 2020	Six months ended 30 June 2019
Loans provided to Hexin Mining	77,976,580.00	61,000,000.00

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(49) Notes to the consolidated cash flow statement

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

	Six months ended 30 June 2020	Six months ended 30 June 2019
Consolidated Net loss	(62,595,802.76)	(60,905,605.15)
Adjustment: Provisions for asset impairment (note 4(40))	—	107,947.42
Depreciation of fixed assets (note 4(10))	104,317,659.75	100,633,555.94
Amortisation of intangible assets (note 4(12))	12,172,577.50	11,241,080.42
Gains on disposal of fixed assets	(38,504.84)	70,806.61
Decrease in deferred tax assets (note 4(28))	(13,462,097.86)	(9,291,691.10)
Decrease in deferred tax liabilities (note 4(28))	(913,231.92)	(567,019.36)
Amortisation of deferred income (note 4(27))	2,564,346.35	(1,149,105.19)
Financial expenses (note 4(39))	51,734,893.62	50,922,967.73
Investment gains (note 4(41))	(4,386,368.44)	(514,366.00)
Decrease in inventories	(35,428,855.09)	(119,606,221.26)
Utilisation of safety fund-net (note 4(31))	7,717,299.07	6,122,402.14
Increase in operating receivables	(134,612,207.62)	(5,606,979.36)
increase in operating payables	224,540,525.15	29,632,709.25
(increase)/Decrease in restricted cash at banks	(236,573.62)	154,263.20
increase/(Decrease) in Provisions	9,455.13	(16,170.61)
Net cash flows generated from operating activities	151,383,114.42	1,228,574.68

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(49) Notes to the consolidated cash flow statement (continued)

(a) Reconciliation from consolidated net loss to cash flows from operating (continued)

	Six months ended 30 June 2020	Six months ended 30 June 2019
Cash and cash equivalents at end of year (b)	232,464,294.21	284,719,482.70
Less: cash and cash equivalents at beginning of year	(267,229,062.22)	(489,204,494.36)
Net decrease in cash and cash equivalents	(34,764,768.01)	(204,485,011.66)

(b) Cash and cash equivalents

	30 June 2020	31 December 2019
Cash	232,464,294.21	267,229,062.22
Including: Cash on hand	17,912.34	25,688.03
Cash at bank	232,446,381.87	267,203,374.19
Cash and cash equivalents	232,464,294.21	267,229,062.22

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(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 representative	The main premises	Place of registration	Nature of business	% equity interest held by the Group		Methods of investments
					Direct	Indirect	
Mengxi Mining	Corporate legal representative	Hami, the PRC	Hami, the PRC	Mining	51%	–	Through establishment or investment
Kalatongke Mining	Corporate legal representative	Fuyun, the PRC	Fuyun, the PRC	Mining and smelting	100%	–	Through establishment or investment
Beijing Xinding	Corporate legal representative	Beijing, the PRC	Beijing, the PRC	Research and Development	100%	–	Through establishment or investment
Xinjiang Yakesi	Corporate legal representative	Hami, the PRC	Hami, the PRC	Mining	99.51%	0.49%	Business combination not under common control
Hami Jubao	Corporate legal representative	Hami, the PRC	Hami, the PRC	Mining	98.96%	1.04%	Business combination not under common control
Zhongxin Mining	Corporate legal representative	Hami, the PRC	Hami, the PRC	Smelting	97.58%	–	Business combination not under common control
Shaanxi Xinxin	Corporate legal representative	Shangnan, the PRC	Shangnan, the PRC	Mining	51%	–	Business combination not under common control

There is no significant restriction on using the Group's assets or paying off debt of the Group.

(b) Subsidiaries with non-controlling interests rights

Name of subsidiaries	% equity interest held by non-controlling shareholders	Amount of gains or losses attributed to non-controlling shareholders for six months ended 30 June 2020	Dividend declared/ allocated to non-controlling shareholders for six months ended 30 June 2020	Non-controlling interests 30 June 2020
Zhongxin Mining	2.42%	(306,549.08)	–	(1,196,615.02)
Shaanxi Xinxin	49.00%	(102,349.93)	–	(9,788,962.06)
Mengxi Mining	49.00%	123,769.78	–	2,781,511.42
		(285,129.23)	–	(8,204,065.66)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(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)

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

Name of subsidiaries	30 June 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Zhongxin Mining	207,757,377.69	172,994,172.03	380,751,549.72	510,280,868.70	10,432,979.50	520,713,848.20
Shaanxi Xinxin	15,164,084.17	–	15,164,084.17	35,141,557.77	–	35,141,557.77
Mengxi Mining	11,162,332.12	–	11,162,332.12	5,485,778.19	–	5,485,778.19

Name of subsidiaries	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Zhongxin Mining	355,841,502.13	190,540,682.34	546,382,184.47	631,965,377.86	15,421,656.70	647,387,034.56
Shaanxi Xinxin	210,307,629.04	–	210,307,629.04	34,923,225.24	48,788,250.00	83,711,475.24
Mengxi Mining	10,905,382.96	–	10,905,382.96	5,481,420.42	–	5,481,420.42

Name of subsidiaries	Six months ended 30 June 2020			
	Revenue	Net (loss)/profit	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	248,587,606.30	(23,532,892.67)	23,532,892.67	(3,780,566.66)
Shaanxi Xinxin	–	(208,877.40)	(208,877.40)	(10,051.11)
Mengxi Mining	–	252,591.39	252,591.39	(7,273.12)

Name of subsidiaries	Six months ended 30 June 2019			
	Revenue	Net (loss)/profit	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	260,653,846.29	(9,933,326.57)	(9,933,326.57)	(2,787,611.98)
Shaanxi Xinxin	–	(3,345,914.92)	(3,345,914.92)	(3,132,023.82)
Mengxi Mining	–	183,381.67	183,381.67	(8,077.39)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

5 EQUITY IN OTHER ENTITIES (CONTINUED)

(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 equity method for the above investment.

(b) Key financial information of the joint venture

	30 June 2020	31 December 2019
Current assets	121,391,806.73	138,340,374.80
Including: cash and cash equivalents	5,989,201.35	43,368,545.57
Non-current assets	416,644,157.07	403,580,177.88
Total assets	538,035,963.80	541,920,552.68
Current liabilities	(223,793,559.50)	(273,184,605.05)
Non-current liabilities	(50,000,000.00)	–
Total liabilities	(273,793,559.50)	(273,184,605.05)
Owners' equity	264,242,404.30	268,544,657.72
Share of net assets (i)	132,121,202.15	134,272,328.86
Adjustments		
–Goodwill	44,668,386.35	44,668,386.35
–Offset of unrealised gains	(11,086,690.03)	(16,954,187.31)
Book value of the investment of joint venture	165,702,898.47	161,986,527.90
Fair value of the joint venture in open market	Not applicable	Not applicable

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(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 (continued)

	For the six months 30 June 2020	For the six months 30 June 2019
Revenue	67,641,574.12	66,476,825.95
Financial expense	(4,416,431.84)	(4,338,727.42)
Net profit	4,302,253.37	(5,642,978.97)
Total comprehensive profit	4,302,253.37	(5,642,978.97)

- (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 joint venture has taken the fair value of identifiable asset and liability 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 CAS, management of the Group considers the Group itself is one operating segment.

For the six months ended 30 June 2020 and 2019, 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 2020, revenue of top three customers of the Group accounted for 55%, 13% and 12% of the total revenue of the Group respectively (For the six months ended 30 June 2019: 35%, 16% and 12%).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2020
(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(26), 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 legislations, 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 legislations 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 equipments 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, 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)(f).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent company

(a) Basic information of 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 2019	Current period additions	Current period reductions	30 June 2020
Xinjiang Non-ferrous Group	1,512,356,129.00	–	–	1,512,356,129.00

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

	30 June 2020 % interests held and % voting rights	31 December 2019 % 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 2020
(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
Xinjiang Ashele Copper Industry Co., Ltd.	Associate of Xinjiang Non-ferrous 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 Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	Fellow subsidiary
Fukang Non-ferrous Development Co., Ltd.	Fellow subsidiary
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	Fellow subsidiary
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary
Beijing Baodi Xindi Kemao Co., Ltd	Fellow subsidiary
Xinjiang Non-ferrous Metal Industry (Group) 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
Urumqi Non-ferrous Metal Research Institute CO., Ltd	Fellow subsidiary
Non-ferrous Metal MingYuanZhiYe Co., Ltd	Fellow subsidiary
Akto Kebang Manganese Industry Co., Ltd.	Fellow subsidiary
Hexin Mining	Joint venture

(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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(b) Purchases of materials from related parties

	Six months ended 30 June 2020	Six months ended 30 June 2019
Associate of Xinjiang Non-ferrous Group/ Fellow subsidiary		
Purchase of raw materials, consumables and equipment		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	4,566,819.06	339,891.83
Xinjiang Dongsanhuan Trading Co., Ltd.	788,003.22	393,103.44
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	590,223.73	13,389,593.41
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	352,894.76	1,437,253.68
Fukang Non-ferrous Development Co., Ltd.	234,721.58	531,812.80
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	134,513.28	—
Fukang Juxin Industrial and Trade Co., Ltd.	77,876.11	—
The Western Gold Hami Gold Mine Co., Ltd.	—	45,525.49
Purchase of equipment parts		
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	—	1,859,667.16
Purchase of raw coal		
Fukang Non-ferrous Development Co., Ltd.	57,338.05	286,200.00
	6,802,389.79	18,283,047.81
Joint venture		
Purchase of nickel concentrate		
Hexin Mining	61,619,900.96	55,210,939.40
	68,422,290.75	73,448,461.72

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(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 2020	Six months ended 30 June 2019
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	40,771,556.61	28,964,740.24
Fukang Juxin Industrial and Trade Co., Ltd	145,283.02	—
Transportation services		
Fukang Non-ferrous Development Co., Ltd.	1,550,161.23	1,717,071.21
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,165,803.03	1,928,959.88
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	967,820.16	760,153.83
Fukang Non-ferrous Property Management Co., Ltd.	24,532.03	651.60
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,613,207.52	1,613,207.52
Provision of heat		
Fukang Non-ferrous Development Co., Ltd.	12,005.95	14,980.54
	46,250,369.55	34,999,764.82

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(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 2020	Six months ended 30 June 2019
Fellow subsidiary		
Xingjiang Wuxin Copper Co., Ltd.	19,577,140.47	6,973,308.85
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	7,281,785.32	7,623,990.25
Fuyun Hengsheng Beryllium Industry Co., Ltd.	6,689,191.50	7,215,864.43
Akto Kebang Manganese Industry Co., Ltd.	1,990,493.81	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	1,683,477.23	93,613.71
Xinjiang Dongsanhuan Trading Co., Ltd.	77,781.42	647,897.77
Hami Hexin Mining Co., Ltd.		451,282.25
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	6,016.35	5,252.43
The Western Gold Hami Gold Mine Co., Ltd.	–	149,676.68
	37,305,886.10	22,709,604.12
Joint venture		
Hami Hexin Mining Co., Ltd.	249,203.53	451,282.25
	37,555,089.63	23,160,886.37

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(e) Leases

As lessor:

Name of lessee	Type of rental assets	Lease revenue recognized during six months ended 30 June 2020	Lease revenue recognized during six months ended 30 June 2019
Xinjiang Zhanxin Fire Isolation Materials Co., Ltd.	Land-use right	21,510.00	21,510.00

As lessee:

Name of lessor	Type of rental assets	Lease expenses recognized during six months ended 30 June 2020	Lease expenses recognized during six months ended 30 June 2019
Xinjiang Non-ferrous Group	Building	—	389,507.15
Xinjiang Jinhui Real Estate Development Co., Ltd	Building	314,963.10	—
Fukang Non-ferrous Development Co., Ltd.	Equipment	—	17,142.86
		314,963.10	406,650.01

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(f) Guarantee

Name of Company	Amount of bank loans and bank acceptance notes guaranteed	Starting date	Ending date	Fulfilled or not
Hexin Mining	15,000,000.00	22/01/2019	31/12/2020	Not
Hexin Mining	10,000,000.00	22/11/2019	22/11/2020	Not
Hexin Mining	10,000,000.00	08/10/2019	08/10/2020	Not
Hexin Mining	29,000,000.00	13/12/2019	13/12/2020	Not
Hexin Mining	13,500,000.00	19/12/2019	19/12/2020	Not
Hexin Mining	25,000,000.00	13/05/2020	13/05/2022	Not
Total	102,500,000.00			

(g) received from related parties

	Six months ended 30 June 2020	Six months ended 30 June 2019
Joint venture		
Loans provided to Hexin Mining	77,976,580.00	(61,000,000.00)
Loans received from Hexin Mining	65,000,000.00	61,000,000.00

(h) 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 March 2019 to 20 March 2029.

(i) Remuneration of key management

	Six months ended 30 June 2020	Six months ended 30 June 2019
Remuneration of key management	2,088,837.24	1,517,287.48

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(j) Benefits and interests of directors

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

Directors, supervisors and chief executive officer's emoluments for the six months ended 30 June 2020 were as follows:

Name	Emoluments for providing services as directors			Emoluments for managing company and its subsidiaries or providing other services	Total
	Fee	Salary and allowance	Pension		
Directors:					
Shi Wenfeng	-	-	-	-	-
Zhou Chuanyou	-	-	-	-	-
Hu Chengye	-	-	-	-	-
Guo Quan	-	-	-	-	-
Zhang Guohua	-	-	-	-	-
Liu Jun	-	285,004.74	2,588.16	-	287,592.90
Qi Xinhui ¹	-	264,977.12	2,588.16	-	267,565.28
Independent Directors:					
Huang Yi Zhong	65,000.00	-	-	-	65,000.00
Li Wing Sum, Steven	-	-	-	-	-
Wang Lijin	35,000.00	-	-	-	35,000.00
Hu Benyuan	35,000.00	-	-	-	35,000.00
Supervisors:					
Yao Wenyong	20,000.00	-	-	-	20,000.00
Chen Rong	-	-	-	-	-
Yu Wenjiang	-	-	-	-	-
Li Jiangping	-	198,700.00	2,588.16	-	201,288.16
Meng Guojun	20,000.00	-	-	-	20,000.00
Senior management:					
Lam Cheuk Fai	-	180,000.00	-	-	180,000.00
He Hongfeng	-	230,043.79	2,588.16	-	232,631.95
Saganbek Ali Muhan	-	232,533.55	2,588.16	-	235,121.71
Meng Guangzhi	-	274,417.13	2,588.16	-	277,005.29
Zhang Junjie	-	230,043.79	2,588.16	-	232,631.95
Total	175,000.00	1,895,720.12	18,117.12	-	2,088,837.24

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(j) Benefits and interests of directors (continued)

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

Directors, supervisors and chief executive officer's emoluments for the six months ended 30 June 2019 were as follows:

Name	Emoluments for providing services as directors			Emoluments for managing company or providing other services	Total
	Fee	Salary and allowance	Pension		
Directors:					
Shi Wenfeng	–	–	–	–	–
Zhou Chuanyou	–	–	–	–	–
Hu Chengye	–	–	–	–	–
Guo Quan	–	185,285.00	15,872.64	–	201,157.64
Zhang Guohua	–	–	–	–	–
Liu Jun	–	185,285.00	15,872.64	–	201,157.64
Independent Directors:					
Li Wing Sum, Steven	65,000.00	–	–	–	65,000.00
Wang Lijin	35,000.00	–	–	–	35,000.00
Hu Benyuan	35,000.00	–	–	–	35,000.00
Supervisors:					
Yao Wenying	–	–	–	–	–
Chen Rong	–	–	–	–	–
Yu Wenjiang	–	150,285.00	15,872.64	–	166,157.64
Li Jiangping	–	78,605.00	16,736.64	–	95,341.64
Meng Guojing	–	20,000.00	20,000.00	–	20,000.00
Senior management:					
Lam Cheuk Fai	–	180,000.00	–	–	180,000.00
He Hongfeng	–	150,285.00	15,872.64	–	166,157.64
Zhang Junjie	–	150,285.00	15,872.64	–	166,157.64
Qi Xinhui	–	150,285.00	15,872.64	–	166,157.64
Total	135,000.00	1,250,315.00	131,972.48		1,517,287.48

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)*

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(j) Benefits and interests of directors (continued)

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

1. Appointment as executive director on 5 June 2020.

(ii) For six months ended 30 June 2020, there were no termination benefits for the directors (For six months ended 30 June 2019: Nil).

(iii) For six months ended 30 June 2020, there were no consideration provided to third parties for making available directors' services (For six months ended 30 June 2019: Nil).

(iv) For six months ended 30 June 2020, there were no loans, quasi-loans and other transactions in favour of directors, controlled body corporate of directors, and connected entities of directors, and no guarantee or security provided to directors, controlled body corporate of directors, and connected entities of directors (For six months ended 30 June 2019: Nil).

(v) No significant transactions, arrangements and contracts in 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 at end of 30 June 2020 ((For six months ended 30 June 2019: Nil).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(j) Benefits and interests of directors (continued)

(vi) The five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for the six months ended 30 June 2020 included 3 directors (the six months ended 30 June 2019: 2 directors) whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining 3 (the six months ended 30 June 2019: 3) individuals during the year were as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Basic salaries, bonus, housing allowance, other allowances in kind	462,577.34	480,570.00
Pension	5,176.32	31,745.28
	467,753.66	512,315.28

	Number of individuals Six months ended 30 June 2020	Six months ended 30 June 2019
Emolument bands: HKD0–1,000,000 (approximately RMB0–945,852)	3	3

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
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8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(6) Receivables from and payables to related parties

Receivables from related parties:

(a) Accounts receivable (note 4(3))

	30 June 2020		31 December 2019	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xingjiang Wuxin Copper Co., Ltd.	31,954,609.42	–	29,007,221.97	–
Akto Kebang Manganese Industry Co., Ltd	4,138,493.94	–	6,389,235.94	–
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	–	–	4,685,220.09	–
Xinjiang Dongsanhuan Trading Co., Ltd.	1,297,884.17	–	1,209,991.17	–
Fuyun Hengsheng Beryllium Industry Co., Ltd.	1,187,304.10	(1,155,416.10)	1,169,664.10	(1,155,416.10)
Xinjiang Zhanxin Fire Isolation Materials Co., Ltd.	–	–	357,089.60	–
Hami Hexin Mining Co., Ltd.	297,820.00	–	316,220.00	–
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	(301,201.70)	301,201.70	(301,201.70)
	39,177,313.33	(1,456,617.80)	43,435,844.57	(1,456,617.80)

(b) Other receivables (note 4(6))

	30 June 2020		31 December 2019	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Hami Jinhui Real Estate Development Co., Ltd.	23,165,038.20	–	23,165,038.20	–
Hexin Mining	30,732,566.30	–	17,755,986.30	–
Xingjiang Wuxin Copper Co., Ltd.	19,377.67	–	–	–
Fuyun Hengsheng Beryllium Industry Co., Ltd.	674,667.78	–	788,612.78	–
Xinjiang Qianxin Mining Co., Ltd.	164,815.77	–	121,534.10	–
Beijing Baodi Xindi Kemao Co., Ltd	94,517.90	–	94,517.90	–
	54,850,983.62	–	41,925,689.28	–

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(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)

Receivables from related parties (continued):

(c) Advances to suppliers

	30 June 2020		31 December 2019	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd	38,845.00	–	–	–

(d) Accounts payable

	30 June 2020	31 December 2019
Hexin Mining	67,184,676.96	38,157,494.69
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	4,767,996.78	1,936,896.02
Xinjiang Dongsanhuan Trading Co., Ltd.	2,668,382.57	1,571,838.12
Fukang Non-ferrous Development Co., Ltd.	2,291,196.73	1,531,650.91
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	2,158,171.94	2,066,533.94
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	1,817,411.03	2,453,846.33
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd	874,797.60	2,363,717.97
Non-ferrous Metal Research Institute CO., Ltd.	174,040.00	264,040.00
The Western Gold Hami Gold Mine Co., Ltd.	96,671.64	96,671.64
Fukang Juxin Industrial and Trade Co., Ltd.	78,000.00	148,500.00
Beijing Baodi Xindi Science and Trade Co., Ltd.	–	60,717.90
Fukang Non-ferrous Property Management Co., Ltd.	–	31,055.68
	82,111,345.25	50,682,963.20

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(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)

Receivables from related parties (continued):

(e) Other payables (note 4(21))

	30 June 2020	31 December 2019
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	28,447,490.28	35,240,492.21
Xinjiang Non-ferrous Metal Industry (Group) Co., Ltd.	1,270,438.36	1,270,438.36
Xinjiang Wuxin Copper Co., Ltd.	25,944.40	—
	29,743,873.04	36,510,930.57

(f) Contract liabilities

	30 June 2020	31 December 2019
Xinjiang Wuxin Copper Co., Ltd.	50,642,619.71	48,017,401.00

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(7) Commitments in relation to related parties

The commitments in relation to related parties contracted for but not yet necessary to be recognised on the balance sheet by the Group as at the balance sheet dates were as follows:

		30 June 2020	31 December 2019
– As lessee	Xinjiang Non-ferrous Group	–	–
– As lessor	Xinjiang Zhanxin Fire Co., Ltd. Isolation Materials	40,971.43	40,971.43

9 COMMITMENTS

(1) Capital commitments

As at 30 June 2020 and 31 December 2019, the Group had no capital expenditures contracted for but not yet necessary to be recognised on the balance sheet.

10 EVENTS AFTER THE BALANCE SHEET DATE

Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has impact on the global economic environment, the commodity prices and the Group’s production operations in the period subsequent to the balance sheet date. The relevant precaution measures and control work has been carried out nationwide on an on-going basis. The Group will make reasonable arrangements for the production plan upon resumption of work, with an aim to mitigate the loss in production output arising from the prolonged period of closure. As such, the COVID-19 outbreak will not have material impact on the operations of the Group. Nonetheless, the epidemic will cause uncertainties in the demand and supply of non-ferrous metals during a short period of time, which may lead to fluctuation of commodity prices and will have impact on our future results. The extent of this impact cannot be reliably quantified or estimated as at the date of this announcement. The Group will keep monitoring the development of the COVID-19 outbreak and endeavour to react promptly to its impact on the financial position and operating results of the Group.

Save as disclosed above, the Group has no other events after the balance sheet date which need to be disclosed or adjusted..

11 LEASES

The Group didn’t own fixed assets under finance leases.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)*

12 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily 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.

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 facing the group, 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 the risk management policies and systems are more New. 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 risks. The Group's internal audit department controls the risk management System and procedures for periodic review, and the audit results 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 2020 and 31 December 2019.

As at 30 June 2020 and 31 December 2019, 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 bank loans and interest-bearing long-term borrowings. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 30 June 2020, the Group's interest bearing debts were mainly floating rate borrowings, fixed rate borrowings in RMB, which totalled RMB2,003,195,172.67 (31 December 2019: RMB2,084,500,000.00), of which floating rate borrowings are RMB805,000,000.00, fixed rate borrowings are RMB1,198,195,172.67, respectively (31 December 2019: RMB1,085,000,000.00, RMB999,500,000.00) (note 4(22),(24)).

As at 30 June 2020, if annual interest rates had been 10% lower/higher with all other variables held constant, net loss would have decreased/increased by RMB4,495,794.44 (31 December 2019: net loss decreased/increased RMB4,685,553.72).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(1) Market risk (continued)

(c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 80% of the total sales for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 63%) were contributed by the top three customers for which the Group has not entered into any long-term sales contracts with them. In the event that these major customers terminate the business relationship 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 and accounts receivable, other receivable, contract assets, creditor's investment, other creditor's investment, financial guarantee contract, the debt instruments investment and financial derivative that do not account in impairment evaluation but account in current losses as fair value, and etc. On reporting date, the book value of balance sheet representative the group largest risk exposure. The largest risk exposure that out of balance sheet is that the largest payment RMB102,500,000.00 that carry out financial guarantee.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Group has policies to limit the credit exposure on accounts receivable, other receivables and notes receivable. The Group assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee 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 2020, the group do not have significantly increasing of credit risk and guaranties that mortgage by debtor.

(3) Liquidity risk

Cash flow forecasting was performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. 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 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.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(3) Liquidity risk (Continued)

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 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities measured at fair value with changes included current profit and loss	149,695,172.67	–	–	–	149,695,172.67
Note payable	544,640,000.00	–	–	–	544,640,000.00
Accounts payable	335,550,277.16	–	–	–	335,550,277.16
Short-term borrowings	242,654,258.33	–	–	–	242,654,258.33
Long-term borrowings	414,680,916.67	1,264,298,083.33	–	–	1,678,979,000.00
Other payables	105,041,234.53	–	–	–	105,041,234.53
	1,792,261,859.36	1,264,298,083.33	–	–	3,056,559,942.69

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Note payable	341,500,000.00	–	–	–	341,500,000.00
Accounts payable	296,698,642.73	–	–	–	296,698,642.73
Short-term borrowings	555,247,308.33	–	–	–	555,247,308.33
Long-term borrowings	595,999,823.33	841,883,875.00	200,158,020.83	–	1,638,041,719.16
Other payables	114,259,535.57	–	–	–	114,259,535.57
	1,903,705,309.96	841,883,875.00	200,158,020.83	–	2,945,747,205.79

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(3) Liquidity risk (Continued)

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 2020				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial Guarantees	102,500,000.00	–	–	–	102,500,000.00

	31 December 2019				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial Guarantees	127,500,000.00	–	–	–	127,500,000.00

For the six months ended 30 June 2020 (All amounts in RMB Yuan unless otherwise stated)

	30 June 2020		31 December 2019	
	Bank borrowing	Bank acceptance notes	Bank borrowing	Bank acceptance notes
Within 1 year	67,500,000.00	10,000,000.00	117,500,000.00	10,000,000.00
1 to 2 years	25,000,000.00	–	–	–
2 to 5 years	–	–	–	–
	92,500,000.00	10,000,000.00	117,500,000.00	10,000,000.00

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
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13 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(1) Financial instruments continuingly and subsequently measured at fair value

As at 30 June 2020, assets and liabilities continuingly 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				
The floating-income financial products without capital protected	–	–	21,000,000.00	21,000,000.00
Financing receivable– Notes receivable	–	–	40,170,000.00	40,170,000.00
Total	–	–	61,170,000.00	61,170,000.00
Financial liabilities				
Gold leasing and corresponding future contracts	–	–	149,695,172.67	149,695,172.67

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

13 FAIR VALUE ESTIMATION (CONTINUED)

(1) Financial instruments continuingly and subsequently measured at fair value (continued)

As at 31 December 2019, assets and liabilities continuingly 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	–	–	50,000,000.00	50,000,000.00
The floating-income financial products without capital protected	–	–	10,000,000.00	10,000,000.00
Financing receivable– Notes receivable	–	–	51,993,646.40	51,993,646.40
Total	–	–	111,993,646.40	111,993,646.40
Financial liabilities				
Gold leasing and corresponding future contracts	–	–	–	–

The Group confirms its converting point based on the date of occurrence of the leading matters. No conversion exists between first level and second level.

Where there is no active market for a financial instrument, the Company adopts value appraisal techniques to determine its fair value. The appraisal technique is the bank market quotation.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

13 FAIR VALUE ESTIMATION (CONTINUED)

(1) Financial instruments continuingly and subsequently measured at fair value (continued)

The movement of above financial assets in level 3 was listed as follows

	31 December 2019	Increase	Decrease	Total gains or losses during current period		30 June 2020	Assets still held on 30 June, 2020 are included in changes in unrealized gains or losses in profit and loss for 2020-changes in fair value
				Gains or losses included in the income statements	Gains or losses included in other comprehensive income		
Financial assets							
Financial assets held for trading-							
structural deposits	50,000,000.00	1,740,300,000.00	(1,769,300,000.00)	2,379,820.02	-	21,000,000.00	-
The floating-income financial							
products without capital							
protected	10,000,000.00	-	(10,000,000.00)	264,794.52	-	-	-
Financing receivable-							
Notes receivable	51,993,646.40	968,786,022.79	(980,609,669.19)	-	-	40,170,000.00	-
Total financial assets	111,993,646.40	2,709,086,022.79	(2,759,909,669.19)	2,644,614.54	-	61,170,000.00	-
Total assets	111,993,646.40	2,709,086,022.79	(2,759,909,669.19)	2,644,614.54	-	61,170,000.00	-
Financial liabilities							
Gold leasing and corresponding							
future contracts	-	(149,695,172.67)	-	-	-	(149,695,172.67)	-

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

13 FAIR VALUE ESTIMATION (CONTINUED)

(1) Financial instruments continuingly and subsequently measured at fair value (continued)

The movement of above financial assets in level 3 was listed as follows (continued):

	31 December 2018	Changes in accounting policies	1 January 2019	Increase	Decrease	Total gains or losses during current period		30 June 2019	Assets still held on 30 June, 2020 are included in changes in unrealized gains or losses in profit and loss for 2020-changes in fair value
						Gains or losses included in the income statements	Gains or losses included in other comprehensive income		
Financial assets									
Financial assets held for trading-structural deposits	-	-	-	1,320,000,000.00	(1,270,000,000.00)	1,567,839.91	-	50,000,000.00	-
The floating-income financial products without capital protected	186,500,000.00	-	186,500,000.00	1,522,000,000.00	(1,698,500,000.00)	4,254,313.26	-	10,000,000.00	-
Financing receivable- Notes receivable	30,889,176.54	-	30,889,176.54	2,304,497,068.51	(2,283,392,598.65)	-	-	51,993,646.40	-
Total financial assets	217,389,176.54	-	217,389,176.54	5,146,497,068.51	(5,251,892,598.65)	5,822,153.17	-	111,993,646.40	-
Total assets	217,389,176.54	-	217,389,176.54	5,146,497,068.51	(5,251,892,598.65)	5,822,153.17	-	111,993,646.40	-
Financial liabilities									
Gold leasing and corresponding future contracts	(502,709,380.00)	-	(502,709,380.00)	-	(502,709,380.00)	-	-	-	-

Gains or losses included in the income statements were included in gains or losses on the changes in fair value, investment income and asset impairment losses etc.

The fair value of level 3 is determined through the fair value provided by the authorised investment institutions.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

13 FAIR VALUE ESTIMATION (CONTINUED)

- (2) The Group does not have assets measured at fair value on a non-recurring basis.
- (3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

The financial assets and liabilities measured at amortised cost mainly include: receivables, short-term borrowings, payables, long-term borrowings and long-term payables.

14 CAPITAL MANAGEMENT

The Group's capital management policies aim to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders, and to maintain an optional capital structure to reduce the cost of capital.

In order 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 debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including short-term, borrowings long-term borrowing, bond payable and long-term payables) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

On 30 June 2020, the Group's strategy is that keep debt asset ratio between 20% and 60%, which is same as 2019. At 30 June 2020 and 31 December 2019, the Group's debt asset ratio shows below:

	30 June 2020	31 December 2019
Total borrowings		
Short-term borrowings	236,000,000.00	550,000,000.00
Long-term borrowings	1,271,500,000.00	1,003,500,000.00
Current portion of non-current liabilities	346,000,000.00	531,000,000.00
	1,853,500,000.00	2,084,500,000.00
Less: cash and cash equivalents	(232,464,294.21)	(267,229,062.22)
Net debt (a)	1,621,035,705.79	1,817,270,937.78
Total equity (b)	4,198,118,223.05	4,252,996,724.74
Total capital (c) = (a) + (b)	5,819,153,928.84	6,070,267,664.52
Gearing ratio (a)/(c)	27.86%	29.94%

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2020	31 December 2019
Cash on hand	–	11,680.71
Cash at bank	194,559,929.38	235,148,431.81
Restricted cash at banks (a)	104,229,440.55	103,990,466.93
	298,789,369.93	339,150,579.45

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

	30 June 2020	31 December 2019
Deposits for issue of bank acceptance notes	86,583,440.55	103,990,575.20
Deposits for Exploration right	17,646,000.00	–
	104,229,440.55	103,990,575.20

(2) Financial assets held for trading

	30 June 2020	31 December 2019
Financial assets measured at fair value through profit and loss	21,000,000.00	50,000,000.00

(3) Accounts receivable

	30 June 2020	31 December 2019
Accounts receivable	221,921,048.09	87,376,818.91
Less: provision for bad debts	(3,980,726.08)	(3,980,726.08)
	217,940,322.01	83,396,092.83

The majority of the Company's sales are on cash payment and prepayment or bank acceptance notes. The remaining amounts are with credit terms not exceeding 180 days.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable (continued)

(a) Accounts receivable aging analysis based on date recorded shows following:

	30 June 2020	31 December 2019
Within 1 year	200,428,714.19	65,884,485.01
1-2 years	—	310,050.12
2-3 years	310,050.12	2,271,568.55
3-4 years	2,271,568.55	9,263,023.37
4-5 years	9,263,023.37	2,646,407.66
Over 5 years	9,647,691.86	7,001,284.20
	221,921,048.09	87,376,818.91

(b) As at 30 June 2020 the top five accounts receivable were analysed as follows:

	Ending Balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	219,727,291.15	1,958,349.30	99.01%

(c) No accounts receivable terminated due to transfer of financial assets during the period.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable (continued)

(d) Provision for bad debts

	30 June 2020	31 December 2019
Provision for bad debts of Accounts Receivable	(3,980,726.08)	(3,980,726.08)

The company's accounts receivable are always measured loss provisions by expected credit losses whether it has significantly financing activities.

(i) On 30 June 2020, the related provision of bad debts Accounts receivable analysis as follows:

Group – Related parties:

	30 June 2020			31 December 2019		
	Ending Balance	Provision for bad debts		Ending Balance	Provision for bad debts	
		Expected credit loss rate throughout the duration			Expected credit loss rate throughout the duration	
	Amount		Amount	Amount		Amount
Not overdue	-	-	-	5,352,359.81	-	-
1-6 months overdue	310,050.12	-	-	-	-	-
7-18 months overdue	-	-	-	310,050.12	-	-
More than 18 months overdue	18,968,225.62	7.68%	(1,456,617.80)	18,658,175.50	7.81%	(1,456,617.80)
	19,278,275.74		(1,456,617.80)	24,320,585.43		(1,456,617.80)

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For the six months ended 30 June 2020
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15 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (continued)

(d) Provision for bad debts (continued)

(i) On 30 June 2020, the related provision of bad debts Accounts receivable analysis as follows: (continued)

Group – Non-related parties :

	30 June 2020			31 December 2019		
	Ending Balance	Provision for bad debts		Ending Balance	Provision for bad debts	
		Expected credit loss rate			Expected credit loss rate	
	Amount	throughout the duration	Amount	Amount	throughout the duration	Amount
Not overdue	200,118,664.07	-	-	60,532,125.20	-	-
1-6 months overdue	-	-	-	-	-	-
7-18 months overdue	-	-	-	-	-	-
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)
	202,642,772.35		(2,524,108.28)	63,056,233.48		(2,524,108.28)

- (e) This period did not occur to recover or revert to the provision of bad debts.
- (f) No write-off of accounts receivable occurred during this period.
- (g) No accounts receivable were derecognised due to transfer of financial assets.
- (h) As at 31 December 2019 and 30 June 2020, there is no accounts receivable pledged as collaterals to bank for borrowings.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(4) Receivables financing

	30 June 2020	31 December 2019
Receivables financing	35,250,000.00	33,050,000.00

According to the needs of daily fund management, the Company discounts and endorses some bank acceptance notes. Therefore, the Company classifies bank acceptance notes as financial assets measured at fair value with changes included in other comprehensive income.

There were no single provision for the impairment of the bank acceptance notes. The Group believes that the bank acceptance notes held by the bank does not have a significant credit risk, and will not cause significant losses due to bank default.

As at 30 June 2020, the Group has no pledged bank acceptance notes receivable listed in financing receivables.

As at 30 June 2020, the Group's endorsements or discounted but yet outstanding notes for financial receivables are as follows:

	Terminated confirmation	Untermiated confirmation
Bank acceptance notes	44,600,000.00	—

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

(5) Advances to suppliers

The ageing of advances to suppliers was analysed as follows:

	30 June 2020		31 December 2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	223,905,281.53	99.23%	369,543,716.34	99.53%
1 to 2 years	—	—	177,477.40	0.05%
2 to 3 years	168,227.53	0.07%	38,845.00	0.01%
Over 3 years	1,558,880.41	0.70%	1,538,565.12	0.41%
	225,632,389.47	100.00%	371,298,603.86	100.00%

(6) Other receivables

	30 June 2020	31 December 2019
Amount due from subsidiaries (Note)	845,337,673.06	510,610,827.66
Amount due from a joint-venture	30,732,566.30	17,755,986.30
Cash advance	264,810.87	216,873.21
Futures margin	—	150,000.00
Others	4,365,779.47	678,696.27
	880,700,829.70	529,412,383.44
Less: provision for bad debts	(6,361,356.06)	(6,361,356.06)
	874,339,473.64	523,051,027.38

Note: The amount due from Xinjiang Yakesi was RMB409,346,628.81. The amount due from Shaanxi Xinxin was RMB10,487,796.83. The amount due from Zhongxin Mining was RMB200,000,000.00. The amount due from Kalatongke Mining was RMB201,425,361.90. The amount due from Beijing Xinding was RMB24,077,885.52.

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

(6) Other receivables (continued)

(a) The movement of ending balance and provision for bad debts

(i) On 30 June 2020, the analysis of Provision for bad debts of other receivables in the first phase was as follows:

	Ending Balance	Expected credit losses in the next 12 months	Provision for bad debts	Reasons
On the grouping basis:				
Related party Customers	865,582,442.53	–	–	
Staff Reserve	264,810.87	–	–	
Others	4,365,779.47	0.14%	(6,275.21)	Overdue but not withdrawn
	870,213,032.87		(6,275.21)	

(ii) On 30 June 2020, the analysis of bad debts for other receivables in second stage was as follow:

	Ending Balance	Expected credit losses in whole period	Provisions for bad debts	Reason
On the individual basis:				
Receivables from Shaanxi Xinxin	10,487,796.83	60.60%	(6,355,080.85)	i)
	10,487,796.83		(6,355,080.85)	

i) On 30 June 2020, the amount of other receivables from Shaanxi Xinxin was RMB10,487,796.83.

(iii) On 30 June 2020, there were no other receivables in and third stage of the company.

(iv) No recovery or reversal of the preparation of bad debts has occurred during the period.

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(All amounts in RMB Yuan unless otherwise stated)

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

(6) Other receivables (continued)

(b) No write-off occurred during the period.

(c) As at 30 June 2020, the top five other receivables were analysed as follows:

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
Xinjiang Yakesi	Loans and accounts receivable	602,340,568.87	Within 1 year	70.83%	–
Zhongxin Mining	Loans and accounts receivable	200,000,000.00	Within 1 year	23.52%	–
Hexin Mining	Loans and accounts receivable	30,732,566.30	Within 1 year	3.61%	–
Shaanxi Xinxin	Loans and accounts receivable	10,487,796.83	Within 1 year 1–2 years 1–3 years	1.23%	(6,355,080.85)
Xinjiang Property Exchange	Deposit for mining transaction	2,410,000.00	Within 1 year	0.28%	–
		850,538,432.00		99.48%	(6,355,080.85)

(7) Inventories

	30 June 2020			31 December 2019		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	167,742,451.04	(4,336,822.90)	163,405,628.14	148,909,128.50	(4,336,822.90)	144,572,305.60
Work in progress	86,544,793.92	–	86,544,793.92	87,638,035.75	–	87,638,035.75
Semi-finished goods	507,237,434.47	–	507,237,434.47	528,078,675.02	–	528,078,675.02
Finished goods	427,431,940.63	(4,285,122.31)	423,146,818.32	294,248,080.41	(4,285,122.31)	289,962,958.10
	1,188,956,620.06	(8,621,945.21)	1,180,334,674.85	1,058,873,919.68	(8,621,945.21)	1,050,251,974.47

(8) Other current assets

	30 June 2020	31 December 2019
To be deducted VAT	39,375,680.51	24,651,138.07
Advance payment of income tax	10,332,126.30	10,332,126.30
	49,707,806.81	34,983,264.37

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

(9) Long-term receivable

	30 June 2020	31 December 2019
Long-term receivable	788,000,000.00	963,500,000.00

As at the six months ended 30 June 2020, the Company provided 2-year long-term loan of RMB50,000,000.00 to Subsidiary Corporation Xinjiang Yakes with an annual rate of 4.75 % while provided 2-year long-term loan of RMB431,000,000.00, with an annual rate of 4.75 % in 2019, 3-year long-term loan of RMB197,500,000.00 to Subsidiary Corporation Xinjiang Yakes, with an annual rate of 5.70%; 2-year long-term loan of RMB5,000,000.00 to Subsidiary Corporation Beijing Xinding, with an annual rate of 6.00 %; in 2018, the Company provided 3-year long-term loan of RMB195,000,000.00 to Subsidiary Corporation Kalatongke Mining, with an annual rate of 5.00%. in 2017, the Company provided 5-year long-term loan of RMB135,000,000.00 to Subsidiary Corporation Kalatongke Mining, with an annual rate of 6.00%.

As at 30 June 2020, the balance of long-term receivable was RMB788,000,000.00 (31 December 2019: RMB963,500,000.00).

(10) Long-term equity investment

	30 June 2020	31 December 2019
Subsidiaries (a)	2,465,131,420.87	2,465,131,420.87
Joint venture (b)	176,789,588.52	178,940,715.21
	2,641,921,009.39	2,644,072,136.08
Less: provision of long-term equity investments (note 15(14))	(80,000,000.00)	(80,000,000.00)
	2,561,921,009.39	2,564,072,136.08

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

(10) Long-term equity investment (continued)

(a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2019	Current year changes	30 June 2020	Equity interest held	Voting rights held
Mengxi Mining	Cost method	10,200,000.00	10,200,000.00	-	10,200,000.00	51.00%	51.00%
Xinjiang Yakesi	Cost method	467,844,415.12	720,171,915.12	-	720,171,915.12	99.51%	99.51%
Hami Jubao	Cost method	75,000,000.00	206,100,349.00	-	206,100,349.00	98.96%	98.96%
Zhongxin Mining	Cost method	56,659,156.75	118,659,156.75	-	118,659,156.75	97.58%	97.58%
Kalatongke Mining	Cost method	10,000,000.00	1,230,000,000.00	-	1,230,000,000.00	100.00%	100.00%
Beijing Xinding	Cost method	100,000,000.00	100,000,000.00	-	100,000,000.00	100.00%	100.00%
Shaanxi Xinxin	Cost method	80,000,000.00	80,000,000.00	-	80,000,000.00	51.00%	51.00%
			2,465,131,420.87	-	2,465,131,420.87		

(b) Joint-venture

Current year movement							30 June 2020	Provision for impairment
31 December 2019	Increase in investment	Share of net profit using the equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared or profit	Other		
Hexin Mining	178,940,715.21	-	(2,151,126.69)	-	-	-	176,789,588.52	-

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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

(11) Fixed assets

	30 June 2020	31 December 2019
Fixed assets (a)	472,204,376.20	492,911,291.46

(a) Fixed assets

	Building	Machinery and equipment	Motor vehicles	Electronic equipment office equipment	Total
Cost					
31 December 2019	519,842,120.62	460,153,619.40	16,070,769.62	23,156,515.59	1,019,223,025.23
Additions					
Purchase	2,693,553.11	1,872,021.18	–	295,158.87	4,860,733.16
Transfer from construction in process	9,433.96	–	–	–	9,433.96
Decrease					
Disposal & Scrap	(485,461.00)	–	–	–	(485,461.00)
Others	–	(1,699,848.15)			(1,699,848.15)
30 June 2020	522,059,646.69	460,325,792.43	16,070,769.62	23,451,674.46	1,021,907,883.20
Accumulated depreciation					
31 December 2019	187,911,292.24	306,237,861.68	13,851,207.40	18,311,372.45	526,311,733.77
Accrue	14,521,247.88	8,038,721.01	307,550.96	820,058.34	23,687,578.19
Disposal	(295,804.96)	–	–	–	(295,804.96)
30 June 2020	202,136,735.16	314,276,582.69	14,158,758.36	19,131,430.79	549,703,507.00
Net book value					
30 June 2020	319,922,911.53	146,049,209.74	1,912,011.26	4,320,243.67	472,204,376.20
31 December 2019	331,930,828.38	153,915,757.72	2,219,562.22	4,845,143.14	492,911,291.46

For the six months ended 30 June 2020, depreciation of fixed assets amounted to RMB23,687,578.19 in total (For the six months ended 30 June 2019: RMB22,813,681.27), of which RMB22,175,414.11 were charged to operating cost, RMB1,463,413.62 to general and administrative expense, and RMB48,750.46 to selling expense (For the six months ended 30 June 2019 is RMB21,503,658.66, RMB1,248,928.39 and RMB61,094.22, respectively).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

(12) Intangible assets

	Land use right	Other	Total
Cost			
31 December 2019	55,768,857.90	791,841.62	56,560,699.52
Additions Purchase	—	—	—
30 June 2020	55,768,857.90	791,841.62	56,560,699.52
Accumulated depreciation			
31 December 2019	12,268,578.88	551,355.68	12,819,934.56
Additions Provision	566,107.38	46,288.91	612,396.29
30 June 2020	12,834,578.88	597,644.59	13,432,330.85
Net book value			
30 June 2020	42,934,171.64	194,197.03	43,128,368.67
31 December 2019	43,500,279.02	240,485.94	43,740,764.96

For the six months ended 30 June 2020, amortisation expense of intangible assets amounted to RMB612,396.29 (For the six months ended 30 June 2019: RMB615,478.20).

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

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

(13) Deferred tax assets

	30 June 2020		31 December 2019	
	Deductible differences deductible losses	Temporary and Deferred tax assets	Deductible differences deductible losses	Temporary and Deferred tax assets
Assets impairment	98,964,027.35	14,844,604.11	98,964,027.35	14,844,604.11
Deductible losses	462,624,398.67	69,393,659.80	407,843,958.36	61,176,593.75
Government grants	1,511,120.00	226,668.00	1,541,786.00	231,267.90
	563,099,546.02	84,464,931.91	508,349,771.71	76,252,465.76
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		13,237,680.92		13,237,680.92
Deferred tax asset to be recovered after 1 year		71,227,250.99		63,014,784.84
		84,464,931.91		76,252,465.76

(14) Provision for asset impairment

	31 December 2019	Current year additions	Current year reductions			30 June 2020
			Reversal	Sold	Other	
Provision for bad debts	10,342,082.14	–	–	–	–	10,342,082.14
Including: Accounts receivable	3,980,726.08	–	–	–	–	3,980,726.08
Other receivables	6,361,356.06	–	–	–	–	6,361,356.06
Provision for decline in value of inventories	8,621,945.21	–	–	–	–	8,621,945.21
Provision for decline in long-term equity investment (note 15(10))	80,000,000.00	–	–	–	–	80,000,000.00
	98,964,027.35	–	–	–	–	98,964,027.35

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

(15) Notes payable

	30 June 2020	31 December 2019
Bank acceptance notes	427,000,000.00	341,500,000.00
Domestic letter of Credit	117,640,000.00	
	544,640,000.00	341,500,000.00

On June 30, 2020 and December 31, 2019, all bank acceptance bills will be due within 180 days, and the payable letters of credit will be due within 360 days

(16) Accounts payable

	30 June 2020	31 December 2019
Payable for purchase of materials	272,886,270.66	270,649,443.06
Transportation fee payable	3,879,223.80	2,084,909.61
Other	419,091.35	1,052,462.41
	277,184,585.81	273,786,815.08

(17) Contracts liabilities

	30 June 2020	31 December 2019
Advances for sales of goods	10,035,671.05	5,933,233.28

As at 1 January 2020, the amount of contracts liabilities is RMB3,758,619.42, during this year, the amount of RMB3,357,989.42 transfer to revenue.

(18) Employee benefits payable

	30 June 2020	31 December 2019
Short-term employee benefits payable (a)	19,063,975.46	22,143,710.68
Defined contribution plans payable (b)	10,512.01	6,045.13
	19,074,487.47	22,149,755.81

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

(18) Employee benefits payable (continued)

(a) Short-term employee benefits payable

	31 December 2019	Current year additions	Current year reductions	30 June 2020
Salaries, bonuses, allowances and subsidies	17,100,160.42	33,778,551.66	(36,752,117.23)	14,126,594.85
Staff welfare	–	4,493,632.11	(3,946,686.18)	546,945.93
Social insurances	2,176.91	2,059,343.47	(2,059,202.71)	2,317.67
Including: Medical insurance	2,176.91	1,992,808.09	(1,992,808.09)	2,176.91
Work injury insurance	–	52,415.80	(52,275.04)	140.76
Illness insurance	–	14,119.58	(14,119.58)	–
Housing funds	582,637.00	3,850,135.00	(3,848,510.00)	584,262.00
Labor union fund and employee education fund	4,020,027.35	879,241.26	(1,096,433.60)	3,802,835.01
Others	438,709.00	1,780,352.44	(2,218,041.44)	1,020.00
	22,143,710.68	46,841,255.94	(49,920,991.16)	19,063,975.46

(b) Defined contribution plans payable

	31 December 2019	Current year additions	Current year reductions	30 June 2020
Pension insurance	–	851,168.96	(846,837.44)	4,331.52
Unemployment insurance	6,045.13	26,576.26	(26,440.90)	6,180.49
	6,045.13	877,745.22	(873,278.34)	10,512.01

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

(19) Taxes payable

	30 June 2020	31 December 2019
Value added tax payable	284,309.54	1,214.29
Stamp duty	68,607.71	104,937.01
Individual income tax	28,154.36	137,838.43
City maintenance and construction tax payable	26,736.70	6,587.50
Educational surcharge payable	19,043.36	4,644.65
Vehicle and vessel use tax	4,320.00	—
Environmental tariff	—	19,554.55
Total	431,171.67	274,776.43

(20) Other payables

	30 June 2020	31 December 2019
Payable to related parties	3,473,965.42	17,614,250.29
Payables for purchases of equipments	3,095,300.00	2,329,596.50
Payables for construction projects	1,627,289.39	2,169,714.01
Payable for professional service	859,198.23	2,256,076.83
Interest payable	631,320.45	—
Others	7,295,500.96	6,995,211.45
Total	16,982,574.45	31,364,849.08

(21) Revenue and cost of sales

	Six months ended 30 June 2020	Six months ended 30 June 2019
Revenue from main operation	596,442,367.15	542,031,792.75
Revenue from other operation	1,246,809.37	504,055.45
	597,689,176.52	542,535,848.20

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For the six months ended 30 June 2020

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

(21) Revenue and cost of sales (continued)

	Six months ended 30 June 2020	Six months ended 30 June 2019
Cost of sales from main operation	615,519,553.90	549,884,493.23
Cost of sales from other operation	161.00	–
	615,520,014.90	549,884,493.23

a. Revenue and cost of sales from main operation

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Revenue from main operation	Cost sales from main operation	Revenue from main operation	Cost sales from main operation
Nickel cathode	347,971,805.90	355,473,936.43	381,778,106.24	402,549,067.49
Copper cathode	237,748,441.24	255,258,013.35	136,350,868.25	141,366,761.45
Others	10,722,120.01	4,787,904.12	23,902,818.26	5,968,664.29
	596,442,367.15	615,519,853.90	542,031,792.75	549,884,493.23

b. Revenue and cost of sales from other operation

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	Revenue from main operation	Cost sales from main operation	Revenue from main operation	Cost sales from main operation
Scrap sales	1,170,640.71	–	–	–
Sales of electricity	30,168.66	–	–	–
Others	46,000.00	161.00	504,055.45	–
	1,246,809.37	161.00	504,055.45	–

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

(22) Financial expenses – net

	Six months ended 30 June 2020	Six months ended 30 June 2019
Interest expense	31,292,627.12	30,432,828.95
Less: Capitalised interest	–	–
Interest expense	31,292,627.12	30,432,828.95
Less: Interest income on bank deposits	(33,838,502.61)	(2,954,563.35)
Bank charges	1,714,624.60	501,669.79
	(831,250.89)	27,979,935.39

(23) Expenses by nature

Cost of sales, selling and distribution expense, general and administrative expenses in Income Statements by nature were shown as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Raw materials and consumables used	641,573,270.57	655,355,406.63
Changes in inventories of work in progress, semi-finished goods and finished goods (note 15(7))	(111,249,377.84)	(187,782,878.94)
Employee benefits	47,719,001.16	50,489,671.70
Depreciation (note 15(11))	23,687,578.19	22,813,681.27
Electricity costs	19,293,915.09	13,536,308.72
Other production expenses	6,094,230.44	5,336,154.34
Safety fund	3,579,182.10	3,671,523.82
Transportation fee	3,230,162.67	2,734,886.72
Office expenses	306,871.81	322,082.62
Amortisation of intangible assets (note 15(12))	612,396.29	615,478.20
Operating leases expenses	314,963.10	–
Others	2,930,502.88	5,514,461.63
	638,092,696.46	572,606,776.71

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

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

(24) Investment Income

	Six months ended 30 June 2020	Six months ended 30 June 2019
Net (loss)/profit from a joint-venture under equity method <i>(note 4(9)(a))</i>	(2,151,126.69)	2,821,489.47
Investment Income from disposal of financial assets	405,203.33	1,526,380.10
Interest income from holding bonds	–	26,523,216.30
	(1,745,923.36)	30,871,085.87

(25) Income tax expenses

	Six months ended 30 June 2020	Six months ended 30 June 2019
Current income tax	–	536,636.53
Deferred income tax	(8,212,466.15)	(1,938,369.68)
	(8,212,466.15)	(1,401,733.15)

The reconciliation from income tax calculated based on the applicable tax rates and total profit/(loss) presented in the Company's income statements to the income tax expenses were listed as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Total loss	(44,966,683.64)	(30,420,660.51)
Income tax expenses calculated at applicable tax rate of 25%	(11,241,670.91)	(7,605,165.13)
Effect of tax deductions	4,496,668.36	3,042,066.05
Income not subject to tax	(1,467,463.60)	(423,223.42)
Expenses, costs and losses not deductible for tax purposes	–	4,594.90
Clearance differences in respect of prior years	–	–
	(8,212,466.15)	(4,981,727.60)

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2020
(All amounts in RMB Yuan unless otherwise stated)

16 NET CURRENT ASSETS

	The Group	
	30 June 2020	31 December 2019
Current assets	2,510,033,903.15	2,392,133,565.41
Less: current liabilities	(2,010,914,734.89)	(2,123,599,188.75)
Net current asset	499,119,168.26	268,534,376.66

	The Company	
	30 June 2020	31 December 2019
Current assets	2,902,994,036.71	2,485,181,542.36
Less: current liabilities	(1,439,348,490.45)	(996,009,429.68)
Net current assets	1,463,645,546.26	1,489,172,112.68

17 TOTAL ASSETS LESS CURRENT LIABILITIES

	The Group	
	30 June 2020	31 December 2019
Total assets	7,672,961,606.77	7,573,026,921.79
Less: current liabilities	(2,010,914,734.89)	(2,123,299,188.75)
Total assets less current liabilities	5,662,046,871.88	5,449,427,733.04

	The Company	
	30 June 2020	31 December 2019
Total assets	6,942,685,579.02	6,709,388,181.27
Less: current liabilities	(1,439,348,490.45)	(996,009,429.68)
Total assets less current liabilities	5,503,337,088.57	5,713,378,751.59

SUPPLEMENTAL INFORMATION FOR FINANCIAL STATEMENTS (UNAUDITED)

For the six months 30 June 2020

(All amounts in RMB Yuan unless otherwise stated)

1 NON-RECURRING PROFIT AND LOSS STATEMENT

	Six months ended 30 June 2020	Six months ended 30 June 2019
Changes in fair value losses on disposal of financial liabilities at fair value through profit or loss and investment income from disposal of available-for-sale financial assets – net value	2,644,614.54	1,731,037.63
Government grants through profit or loss	976,300.58	1,533,583.87
loss on disposal of non-current assets	38,504.84	(70,806.61)
Other none-operating revenues and expenses	(3,088,365.32)	(257,350.01)
	571,054.64	2,936,464.88
Income tax	76,029.96	(488,067.31)
Non-controlling interest impact (after tax)	715.71	(87,642.63)
	647,800.31	2,360,754.94

Basis of preparation of extraordinary gains or losses

According to the “Explanatory Notice for Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses [2008]” set by China Securities Regulatory Commission, extraordinary gains or losses refer to gains or losses that are not directly related to the company’s normal business, and that are related to normal business but impact financial statements users to make correct judgment of the transactions and events on the Company’s operating performance and profitability because of their extraordinary and sporadic nature.

2 LOSS ON NET ASSETS AND LOSS PER SHARE

	Weighted average loss on net assets (%)		Loss per share			
			Loss per share		Diluted Loss per share	
	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Net loss attributable to ordinary shareholders	(0.65%)	(1.42%)	(0.028)	(0.027)	(0.028)	(0.027)
Net loss attributable to ordinary shareholders excluding extraordinary items	(0.51%)	(1.47%)	(0.028)	(0.028)	(0.028)	(0.028)