



Xinjiang Xinxin Mining Industry Co., Ltd.\*

新疆新鑫礦業股份有限公司

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

Stock Code: 3833



Interim Report

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We See The Future

\*For identification purpose only

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Guo Quan  
Liu Jun

## NON-EXECUTIVE DIRECTORS

Zhang Guohua (*Chairman*)  
Zhou Chuanyou (*Vice chairman*)  
Shi Wenfeng  
Hu Chengye

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Benyuan  
Wang Lijin  
Li Wing Sum, Steven

## SUPERVISORS

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

## AUDIT COMMITTEE

Hu Benyuan (*Chairman*)  
Li Wing Sum, Steven  
Hu Chengye

## REMUNERATION AND REVIEW COMMITTEE

Wang Lijin (*Chairman*)  
Zhou Chuanyou  
Guo Quan  
Hu Benyuan  
Li Wing Sum, Steven

## COMPANY SECRETARIES

Lam Cheuk Fai *FCCA, FCPA*  
Zhang Junjie

## AUTHORISED REPRESENTATIVES

Shi Wenfeng  
Lam Cheuk Fai  
Li Wing Sum, Steven (*Alternate*)

## REGISTERED OFFICE IN HONG KONG

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

## STATUTORY ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

7/F Youse Building  
No. 4 You Hao North Road  
Urumqi, Xinjiang

## LEGAL ADVISERS

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

## AUDITORS

International and PRC auditors  
PricewaterhouseCoopers Zhong Tian LLP

## H SHARE REGISTRAR IN HONG KONG

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

## PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

## NOMINATION COMMITTEE

Zhang Guohua (*Chairman*)  
Wang Lijin  
Li Wing Sum, Steven

## STRATEGIC DEVELOPMENT COMMITTEE

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

## COMPANY WEBSITE

kunlun.wsfg.hk

## STOCK CODE

3833

## COMPANY RESULTS

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”) for the six months ended 30 June 2018 (the “Period”), together with the unaudited consolidated operating results for the six months ended 30 June 2017 (“First Half of 2017” 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 RMB866.1 million, representing an increase of 95.8% as compared with consolidated revenue of RMB442.4 million for the Same Period Last Year. The consolidated net profit attributable to shareholders of the Company was RMB8.7 million during the Period, representing a significant increase as compared with the consolidated net loss attributable to shareholders of the Company of RMB64.6 million for the Same Period Last Year. The significant increase in consolidated revenue and operating results of the Group during the Period was mainly due to the increase in market prices of the Group’s major products such as electrolytic nickel and cathode copper and the increase in sales volume of electrolytic nickel during the Period arising from the release of inventory.

Basic earnings per share attributable to shareholders of the Company amounted to RMB0.004 during the Period, while the basic loss per share amounted to RMB0.029 per share in the Same Period Last Year.

The Board does not recommend any payment of interim dividend for 2018. Please refer to the unaudited consolidated interim financial statements for details of the consolidated operating results.

## RESOURCES AND RESERVES

As at 30 June 2018, 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
<b>Resources as at 30 June 2018</b>					
Kalatongke nickel-copper mine	30,273,184	0.97	0.56	293,811	170,762
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	79,878,337	0.27	0.45	216,924	355,949
<b>Total</b>	<b>110,151,521</b>			<b>510,735</b>	<b>526,711</b>
<b>Reserves as at 30 June 2018</b>					
Kalatongke nickel-copper mine	19,904,452	1.01	0.62	200,380	123,051
Three nickel-copper mines in Huangshandong, Huangshan and Xiangshan	30,239,419	0.31	0.49	92,561	148,255
<b>Total</b>	<b>50,143,871</b>			<b>292,941</b>	<b>271,306</b>

*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 2018, 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	V <sub>2</sub> O <sub>5</sub> Grade	V <sub>2</sub> O <sub>5</sub> contents
	Tonnes	%	Tonnes
<b>Resources as at 30 June 2018</b>			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	29,295,500	0.88	257,800
<b>Total</b>	<b>39,454,900</b>		<b>354,100</b>

*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

During the Period, London Metal Exchange (“LME”) average three-month future price of nickel cathode was US\$13,931 per tonne, representing an increase of 42.1% from US\$9,805 per tonne for the Same Period Last Year. The average three-month future price of copper cathode was US\$6,950 per tonne, representing an increase of 20.3% from US\$5,775 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 RMB104,888 per tonne, representing an increase of 28.7% from RMB81,506 per tonne for the Same Period Last Year. The average spot price (including tax) of copper cathode was RMB51,958 per tonne, representing an increase of 11.7% from RMB46,521 per tonne for the Same Period Last Year.

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

## BUSINESS REVIEW

During the Period, the consolidated revenue of the Group amounted to RMB866.1 million, representing an increase of 95.8% from the consolidated revenue of RMB442.4 million for the Same Period Last Year. The consolidated net profit amounted to RMB8.8 million, representing a significant increase in operating results as compared with the consolidated net loss of RMB64.5 million for the Same Period Last Year. In particular, the consolidated net profit attributable to shareholders of the Company was RMB8.7 million, while the consolidated net loss attributable to shareholders of the Company was RMB64.6 million for the Same Period Last Year.

During the Period, the consolidated revenue and operating results of the Group recorded significant increases as compared with those of the Same Period Last Year, which was primarily attributable to the increase in market prices of major products of the Group, being nickel cathode and copper cathode, and the release of inventory to increase the sales volume of nickel cathode for the Period.

During the Period, the Group produced 5,758 tonnes of nickel cathode, representing a decrease of 4.1% as compared with 6,006 tonnes for the Same Period Last Year, and produced 4,016 tonnes of copper cathode, representing a decrease of 19.7% as compared with 5,002 tonnes for the Same Period Last Year.

During the Period, the Group sold 7,093 tonnes of nickel cathode, representing an increase of 108.7% as compared with 3,398 tonnes for the Same Period Last Year, and sold 2,678 tonnes of copper cathode, representing a decrease of 19.0% from 3,307 tonnes for the Same Period Last Year.

During the Period, the average selling price of nickel cathode of the Group (excluding tax) was RMB95,376 per tonne, representing an increase of 36.5% from RMB69,897 per tonne for the Same Period Last Year, while the average selling price of copper cathode (excluding tax) was RMB43,684 per tonne, representing an increase of 11.7% from RMB39,099 per tonne for the Same Period Last Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS AND COUNTERMEASURES

In the second half of 2018, the Group plans to produce 5,742 tonnes of nickel cathode and 6,545 tonnes of copper cathode. The Board would like to emphasize that due to the uncertainties in metal prices, the domestic raw materials market and the production environment, the above plan is made solely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of the situation.

In the second half of 2018, the Group will strengthen the analysis and studies on the market price movement of international and domestic nickel cathode and copper cathode and implement more flexible and active marketing strategies based on its actual situation and financial capability, in order to achieve product sales at a higher price level. Moreover, the Group will endeavour to upgrade our major production processes to cater for the optimisation of domestic economic structure, changes in development patterns and the requirements of the State and Xinjiang government for production safety and environmental protection improvement. On top of these, the Group will fully explore its internal potential, strive to increase output and income, and further reduce its production cost and expenses through stringent control of non-production expenditures with an aim to continually generating greater economic benefits for the Group and improving its management standards and general operation efficiency.

## 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 3,426 meters of drilling in pit. Xinjiang Yakesi Resources Co. Ltd. (“Xinjiang Yakesi”) and Hami Jubao Resources Co. Ltd. (“Hami Jubao”) mainly completed mineral exploration projects such as 1,055 meters of shallow-hole drilling in pit and 431 meters of surface drilling.

During the Period, the aggregate expenditure on the mineral exploration of the Group was around RMB0.8 million.

### Mine development

During the Period, Kalatongke Mining mainly completed mining development projects, such as the construction of 87 meters of horizontal transportation tunnel at 410 mid-segment of No. 3 ore body, construction of 106 meters of Line 83 ore chutes and the casting of 64 meters of air-return gate road at 350 mid-segment of No. 2 ore body. Xinjiang Yakesi and Hami Jubao mainly completed mining development projects, such as the construction of 24 meters of slope supporting, 103 meters of transportation tunnel and 98 meters of integrated ore chutes at No. 30 ore body in Huangshan and No. 12 mining area in Huangshandong, as well as foundation excavation of 742 m<sup>3</sup> with various mining facilities, etc.

During the Period, the aggregate expenditure on the mine development of the Group was around RMB6.6 million.

### Ore mining

During the Period, Kalatongke Mining produced 381,407 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 507,701 tonnes of ores.

During the Period, the aggregate expenditure on the ore mining of the Group was around RMB164.6 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 2018			For the period ended 30 June 2017		
	Sales Volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to Revenue
Nickel cathode	7,093	676,463	78.1%	3,398	237,528	53.7%
Copper cathode	2,678	116,969	13.5%	3,307	129,305	29.2%
Copper concentrate	3,817	39,258	4.5%	1,935	17,340	3.9%
Electrolytic cobalt	32	16,077	1.9%	74	22,751	5.1%
Other products	–	17,294	2.0%	–	35,432	8.1%
Total revenue		866,061	100.0%		442,356	100.0%
Cost of sales		(700,220)	80.9%		(380,468)	86.0%
Of which: Nickel cathode		(557,759)			(236,872)	
Copper cathode		(99,583)			(94,848)	
Copper concentrate		(30,133)			(13,027)	
Electrolytic cobalt		(6,539)			(15,136)	
Other products		(6,206)			(20,585)	
Gross profit		165,841	19.1%		61,888	14.0%

During the Period, the revenue from nickel cathode of the Group increased by 184.8% to RMB676.5 million as compared with that of the Same Period Last Year. The average selling price of nickel cathode was RMB95,376 per tonne, representing an increase of 36.5% as compared with that of the Same Period Last Year. The sales volume of nickel cathode was 7,093 tonnes, representing an increase of 108.7% as compared with that of the Same Period Last Year. The significant increase in revenue of nickel cathode was due to the increase in selling price of nickel cathode for the Period, and the release of inventory to increase the sales volume of nickel cathode upon seizing the opportunity of price increase in the nickel cathode market by the Group. During the Period, the Group sold a total of 7,093 tonnes of nickel cathode, which was attributable to the increased sales volume of 1,335 tonnes of nickel cathode due to inventory release.

During the Period, the revenue of copper cathode of the Group decreased by 9.5% to RMB117.0 million as compared with that of the Same Period Last Year. The average selling price of copper cathode increased by 11.7% to RMB43,684 per tonne as compared with that of the Same Period Last Year. The sales volume of copper cathode of the Group decreased by 19.0% to 2,678 tonnes as compared with that of the Same Period Last Year. The decrease in revenue of copper cathode was due to the decrease in sales volume as a result of the decrease in production volume of copper cathode.



# MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the revenue of electrolytic cobalt of the Group decreased by 29.3% to RMB16.1 million as compared with that of the Same Period Last Year. The average selling price of electrolytic cobalt increased by 66.4% to RMB509,728 per tonne as compared with that of the Same Period Last Year. The sales volume of electrolytic cobalt of the Group decreased by 56.8% to 32 tonnes as compared with that of the Same Period Last Year. The decrease in revenue of electrolytic cobalt was due to the fact that the sales of previous years' inventories in the Same Period Last Year resulted in a relatively large revenue base for the Same Period Last Year.

During the Period, the revenue of copper concentrates of the Group increased by 126.4% to RMB39.3 million as compared with that of the Same Period Last Year. The average selling price of copper concentrates increased by 14.7% to RMB10,284 per tonne as compared with that of the Same Period Last Year. The sales volume of copper concentrates of the Group increased by 97.3% to 3,817 tonnes as compared with that of the Same Period Last Year. The significant increase in revenue of copper concentrates was due to the increase in both selling price and sales 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 decreased by 51.1% to RMB17.3 million as compared with that of the Same Period Last Year, the decrease in revenue was mainly due to no sales were recorded for precious metal products, such as gold, silver, platinum and palladium, as a result of the lower-than-expected market prices of these products during the Period.

During the Period, the unit cost of sales of nickel cathode of the Group increased by 12.8% to RMB78,640 per tonne as compared with that of the Same Period Last Year, the unit cost of sales of copper cathode increased by 29.7% to RMB37,191 per tonne as compared with that of the Same Period Last Year, which were mainly attributable to the price increase in raw materials for the Period and the reversal and sales of nickel cathode to which provisions for declines in value of inventories were charged in 2016 in the Same Period Last Year, resulting in a relatively small cost base of nickel cathode for the Same Period Last Year.

During the Period, the Group recorded gross profit of RMB165.8 million while the Group recorded gross profit amounted to RMB61.9 million in the Same Period Last Year. The increase in gross profit of the Group was mainly due to the increase in market prices of major products of the Group, being nickel cathode and copper cathode, and the release of inventory to increase the sales volume of nickel cathode for the Period.

## **Sales and marketing costs**

During the Period, sales and marketing costs of the Group was RMB19.6 million, representing an increase of 59.3% as compared with that of the Same Period Last Year, mainly due to the increase in transportation costs due to the increase in sales volume of nickel cathode as compared with that of the Same Period Last Year.

## **Administrative expenses**

During the Period, the administrative expense of the Group increased by 2.1% to RMB49.5 million as compared with that of the Same Period Last Year as a result of the increased miscellaneous expenses.

## **Finance expenses – net**

Finance expenses – net of the Group for the Period increased to RMB67.0 million as compared with that of the Same Period Last Year of RMB60.2 million, mainly due to the fact that the Group replaced its maturing short-term borrowings by medium and long-term borrowings this year, resulting in the increase in borrowing interests, and the increase in the interest rates of loans in the market at different levels as compared with those of the previous year caused by the adjustment of national financial policies.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Investment income

Investment loss of the Group for the Period was RMB1.0 million while investment income was RMB2.6 million for the Same Period Last Year. The decrease in investment income of the Group for the Period as compared with that of the Same Period Last Year was mainly due to the decrease in investment income from disposal of financial assets 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 2018, owners' equity increased by 0.3% to RMB4,377.5 million as compared with that as of 31 December 2017, mainly due to the profit during the Period. As at 30 June 2018, total assets increased by 4.7% to RMB8,148.1 million as compared with that as of 31 December 2017.

For the six months ended 30 June 2018, the Group's net cash inflow generated from operating activities was RMB55.8 million. As compared to the net cash inflow of RMB70.1 million in the Same Period Last Year, there was a decrease in the inflow of RMB14.3 million, primarily due to the increase in tax payment as a result of the price increase in raw materials and the increase in sales revenue of major products for the Period; the net cash outflow generated from investment activities was RMB185.4 million, which was mainly due to the write-downs of the sale of financial assets and acquisition of short-term wealth management income by the Group by the purchase of financial assets and equipment for various technology renovation and expansion projects and their construction costs; and the net cash inflow generated from financing activities amounted to RMB422.9 million, which was mainly attributable to the Group's new bank loans during the Period.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had total cash and cash equivalents amounting to RMB639.5 million (31 December 2017: RMB346.3 million), and the total borrowings of the Group amounted to RMB2,796.7 million (31 December 2017: RMB2,331.3 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB2,157.2 million (31 December 2017: RMB1,985.0 million) and the gearing ratio (net debts divided by total capital\*) was 33.01% (31 December 2017: 31.27%).

	As at 30 June 2018	As at 31 December 2017
Current Ratio ( <i>Times</i> )	0.9	0.9
Gearing Ratio ( <i>net debts/total capital*</i> )	33.01%	31.27%

\* Total capital: net debts + total owners' equity

As at 30 June 2018, the aggregate amount of borrowings of the Group was RMB2,796.7 million, of which, the proceeds from the issuance of medium-term notes of the Company was RMB800.0 million and loans for working capital of RMB1,149.0 million (including gold lease financing of RMB250.0 million), the working capital, loans for technological renovation and expansion projects by Xinjiang Yakesi was RMB256.3 million (including gold lease financing of RMB101.3 million), the loans for working capital by Kalatongke Mining was RMB591.4 million (including gold lease financing of RMB151.4 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2018, the Group's interest-bearing borrowings amounted to RMB2,796.7 million (31 December 2017: RMB2,331.3 million), including floating rate borrowings amounted to RMB890.0 million (31 December 2017: RMB690.0 million), fixed rate borrowings amounted to RMB1,106.7 million (31 December 2017: RMB841.3 million), bond payable amounted to RMB800.0 million (31 December 2017: RMB800.0 million).

## COMMODITY PRICE RISK

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

## TAX RISK

The tax risk of the Group mainly arises from the levy of environmental tax. The change in environmental tax mainly depends on the level of specific environmental tax rate as determined by the local government according to its authorisation. Taking into consideration that the imposition of environmental tax will aim at the enhancement of the monitoring of the pollutant discharge by the enterprises, the Group will be required to strengthen pollution prevention and control to meet the pollutants emission standards, including by making more investments in facilities such as automatic pollutant monitoring equipment and increasing the operating costs of pollutant discharge reduction facilities. Meanwhile, the Group will strengthen its environmental and tax management to ensure the accuracy and authenticity of tax declaration and reduce the tax risk arising from inadequate management.

# 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 2018, 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 RMB2,796.7 million (31 December 2017: RMB2,331.3 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 2018, a restricted bank deposit of RMB37.9 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 2018, there were no charges or pledges of assets in the Group.

## MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the Period.

## 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 2018.

## MAJOR ACQUISITIONS AND DISPOSAL

The Group had no 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 2018	
	<i>RMB'000</i>	<i>% to Total</i>
Mining, ore processing and smelting and complementary operations in Kalatongke Mining	37,993	57.1%
Refining and complementary operations in Fukang Refinery	9,504	14.3%
Mining and ore processing operations in Xinjiang Yakesi	16,412	24.6%
Mining operation in Hami Jubao	450	0.7%
Smelting and complementary operations of Xinjiang Zhongxin Mining Company Limited	1,483	2.2%
Research and development of non-ferrous metal industrial products and storage base project of Beijing Xinding Shunze High Technology Co., Ltd.	747	1.1%
Total	66,589	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 RMB119.3 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 RMB79.5 million.

Xinjiang Yakesi and Hami Jubao will further improve the mining and processing projects, and plans to invest approximately RMB33.6 million.

The capital expenditure of the Group for the exploration projects is planned to be approximately RMB6.8 million.

The capital expenditure of the Group for the acquisition of fixed assets is planned to be approximately RMB10.1 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 2018.

## COMMITMENTS

Commitments of the Group as at 30 June 2018 are disclosed in Note 9 to the unaudited consolidated interim financial statements.

# DIRECTORS' INTEREST

## DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACT

As at 30 June 2018, 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 2018, 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			Classes of share	Percentage of aggregate interests to relevant class of share	Percentage of aggregate interests to the total share
	Personal interest	Corporate interests	Total interests			
Zhou Chuanyou		480,924,000	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 2018, 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' INTEREST**

### **SHARE APPRECIATION RIGHTS INCENTIVE SCHEME**

At the annual general meeting held on 29 May 2008, the Company adopted and approved a share appreciation rights incentive scheme (the "Share Appreciation Rights Incentive Scheme" or "SARIS") to acknowledge the contributions of its senior management and key personnel. The SARIS is an arrangement providing incentive for the management of the Company such that it attaches importance to the performance of the shares of the Company and its long-term development without the characteristics of shares. It is intended to align the senior management's interests to those of the Company and its shareholders. It is intended that the operation of the SARIS will not involve any issue of new H shares of the Company, and the exercise of any share appreciation rights will not create a dilution effect on the Company's shareholding structure.

The SARIS entitles persons who are granted such rights to receive cash payments when the Company's share price rises above the exercise price granted by the share appreciation rights in a certain pre-determined period, subject to certain terms and conditions of the SARIS.

The share appreciation rights are not transferable, nor are there any voting rights attached to the share appreciation rights. The SARIS is not a scheme involving the grant of options over new securities of the Company, and therefore will not fall within the ambit of, and will not be subject to, Chapter 17 of the Listing Rules.

The SARIS has taken effect since the date of approval at the annual general meeting held on 29 May 2008, with a validity period of ten years from its effective date. The SARIS has automatically been terminated on its expiration date, being 29 May 2018.

There were no share appreciation rights allocated or outstanding as at 30 June 2018.

### **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 2018 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 2018, 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)	69,000,000 (L)	H share	9.09	3.12

(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 2018, 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 2018 (Nil for 2017).



## EMPLOYEES AND WELFARE

As at 30 June 2018, the Group had a total of 2,207 employees. Breakdowns by functions and divisions are as follows:

<b>Division</b>	<b>No. of Employees</b>	<b>% to Total</b>
Management and administration	155	7.0%
Engineering technician	214	9.7%
Production staff	1,413	64.0%
Repair and maintenance	309	14.0%
Inspection	99	4.5%
Sales	17	0.8%
<b>Total</b>	<b>2,207</b>	<b>100.0%</b>

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 19%, 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 three meetings (with an attendance rate of 26/27).

## 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. Li Wing Sum Steven, 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, 30 August 2018

# CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

ASSETS	Note	30 June 2018 Consolidated	31 December 2017 Consolidated	1 January 2017 Consolidated	30 June 2018 Company	31 December 2017 Company	1 January 2017 Company
<b>Current assets</b>							
Cash at bank and on hand	4(1), 15(1)	677,490,353.71	416,681,699.08	153,014,245.00	314,612,214.60	314,594,437.82	56,306,656.46
Financial assets held for trading	4(2), 15(2)	311,040,000.00	-	-	300,990,000.00	-	-
Accounts and notes receivable	4(3), 15(3)	274,758,698.32	205,835,929.24	302,802,714.18	249,939,256.07	160,488,528.23	264,106,063.24
Advances to suppliers	4(4), 15(4)	53,291,225.88	23,519,896.61	24,005,985.16	880,160,381.55	813,537,077.18	97,055,086.44
Other receivables	4(5), 15(5)	46,764,202.90	100,665,053.61	106,104,633.53	1,096,176,904.38	1,120,719,543.88	1,097,806,893.64
Inventories	4(6), 15(6)	1,366,376,069.81	1,428,790,791.90	1,385,290,969.53	1,074,253,569.06	998,578,598.54	1,008,871,742.88
Other current assets	4(7), 15(7)	21,439,299.91	143,427,989.51	628,858,538.72	12,212,569.09	118,368,828.82	387,700,632.32
<b>Total current assets</b>		<b>2,751,159,850.53</b>	<b>2,318,921,359.95</b>	<b>2,600,077,086.12</b>	<b>3,928,344,894.75</b>	<b>3,526,287,014.47</b>	<b>2,911,847,074.98</b>
<b>Non-current assets</b>							
Long-term receivable	15(8)	-	-	-	135,000,000.00	135,000,000.00	800,000,000.00
Long-term equity investments	4(8), 15(9)	138,745,125.46	144,503,820.49	130,802,279.44	2,500,708,846.29	2,499,308,678.80	2,481,966,513.94
Fixed assets	4(9), 15(10)	2,861,809,031.37	2,949,827,613.12	2,799,957,815.87	493,228,995.36	515,999,232.73	511,774,658.57
Construction in progress	4(10)	1,297,162,115.92	1,245,440,140.55	1,412,360,166.15	65,184,655.15	58,101,322.45	55,736,471.58
Intangible assets	4(11), 15(11)	934,139,946.28	944,698,745.40	963,989,772.34	45,497,824.55	46,129,732.03	47,358,951.94
Goodwill	4(12)	28,087,550.20	28,087,550.20	28,087,550.20	-	-	-
Long-term prepaid expenses		683.32	8,798.53	57,738.75	-	-	-
Deferred tax assets	4(25), 15(12)	124,740,829.31	132,627,628.88	130,950,672.60	75,844,081.97	86,259,691.58	103,629,021.18
Other non-current assets	4(13)	12,300,000.00	15,800,000.00	22,000,000.00	-	-	-
<b>Total non-current assets</b>		<b>5,396,985,218.86</b>	<b>5,460,994,297.17</b>	<b>5,488,205,995.35</b>	<b>3,315,464,403.32</b>	<b>3,340,798,657.59</b>	<b>4,000,465,617.21</b>
<b>TOTAL ASSETS</b>		<b>8,148,145,132.39</b>	<b>7,779,915,657.12</b>	<b>8,088,283,081.47</b>	<b>7,243,809,298.07</b>	<b>6,867,085,672.06</b>	<b>6,912,312,692.19</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>							
	Note	30 June 2018 Consolidated	31 December 2017 Consolidated	1 January 2017 Consolidated	30 June 2018 Company	31 December 2017 Company	1 January 2017 Company
<b>Current liabilities</b>							
Short-term borrowings	4(22)(b)	840,000,000.00	770,000,000.00	420,000,000.00	600,000,000.00	580,000,000.00	-
Financial liabilities at fair value through profit or loss		-	183,555,504.34	137,693,150.55	-	-	-
Accounts and notes payable	4(15), 15(14)	447,843,798.81	550,149,952.15	404,110,921.14	214,558,234.35	344,303,125.71	300,593,554.50
Advances from customers		-	26,494,587.46	24,336,532.36	-	4,042,956.06	23,467,067.55
Contract liabilities	4(16), 15(5)	33,601,624.95	-	-	15,826,666.49	-	-
Employee benefits payable	4(17), 15(16)	60,806,942.97	64,444,364.48	55,117,302.59	22,767,836.47	24,674,387.01	20,113,679.21
Taxes payable	4(18), 15(17)	20,151,506.48	19,350,063.04	11,137,582.93	3,315,996.14	1,971,553.63	3,330,022.98
Other payables	4(19), 15(18)	213,904,213.47	222,472,575.65	292,196,469.84	170,513,419.15	57,389,700.14	305,449,801.52
Current portion of non-current liabilities	4(21)	1,357,709,380.00	840,000,000.00	662,000,000.00	1,050,000,000.00	800,000,000.00	500,000,000.00
<b>Total current liabilities</b>		<b>2,974,017,466.68</b>	<b>2,676,467,047.12</b>	<b>2,006,591,959.41</b>	<b>2,076,982,152.60</b>	<b>1,812,381,722.55</b>	<b>1,152,954,125.76</b>

# CONSOLIDATED AND COMPANY BALANCE SHEETS (UNAUDITED)

As at 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	Note	30 June 2018 Consolidated	31 December 2017 Consolidated	1 January 2017 Consolidated	30 June 2018 Company	31 December 2017 Company	1 January 2017 Company
<b>Non-current liabilities</b>							
Long-term borrowings	4(22)(a)	599,000,000.00	35,000,000.00	75,000,000.00	299,000,000.00	-	-
Bond payable		-	-	800,000,000.00	-	-	800,000,000.00
Long-term payables	4(23)	13,193,941.11	13,193,941.11	59,978,281.32	-	-	-
Provisions	4(20)	8,862,219.17	8,652,761.68	8,248,582.21	-	-	-
Deferred income	4(24)	32,465,466.23	33,078,429.71	33,562,996.66	1,633,784.00	1,664,450.00	1,725,782.00
Deferred tax liabilities	4(25)	143,067,174.72	148,295,328.00	150,479,836.70	-	-	-
Other non-current liabilities	4(26)	-	502,709,380.00	502,709,380.00	-	250,000,000.00	250,000,000.00
<b>Total non-current liabilities</b>		<b>796,588,801.23</b>	<b>740,929,840.50</b>	<b>1,629,979,076.89</b>	<b>300,633,784.00</b>	<b>251,664,450.00</b>	<b>1,051,725,782.00</b>
<b>Total liabilities</b>		<b>3,770,606,267.91</b>	<b>3,417,396,887.62</b>	<b>3,636,571,036.30</b>	<b>2,377,615,936.60</b>	<b>2,064,046,172.55</b>	<b>2,204,679,907.76</b>
<b>Owners' equity</b>							
Share capital	4(27)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	4(28)	4,258,569,997.76	4,258,569,997.76	4,263,591,716.44	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49
Specific reserve	4(29)	6,430,232.97	232,071.41	1,543,421.85	3,268,543.24	-	-
Surplus reserve	4(30)	249,625,789.74	249,625,789.74	249,625,789.74	249,625,789.74	249,625,789.74	249,625,789.74
Accumulated Losses	4(31)	(764,240,863.32)	(772,972,140.31)	(691,384,794.32)	(193,955,829.00)	(253,841,147.72)	(349,247,862.80)
<b>Total equity attributable to shareholders of the Company</b>		<b>4,302,885,157.15</b>	<b>4,287,955,718.60</b>	<b>4,375,876,133.71</b>	<b>4,866,193,361.47</b>	<b>4,803,039,499.51</b>	<b>4,707,632,784.43</b>
<b>Non-controlling interests</b>	5(1)	<b>74,653,707.33</b>	<b>74,563,050.90</b>	<b>75,835,911.46</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total owners' equity</b>		<b>4,377,538,864.48</b>	<b>4,362,518,769.50</b>	<b>4,451,712,045.17</b>	<b>4,866,193,361.47</b>	<b>4,803,039,499.51</b>	<b>4,707,632,784.43</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>8,148,145,132.39</b>	<b>7,779,915,657.12</b>	<b>8,088,283,081.47</b>	<b>7,243,809,298.07</b>	<b>6,867,085,672.06</b>	<b>6,912,312,692.19</b>

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:  
**Li Jianhua**

# CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

For the six months 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2018 Consolidated	Six months ended 30 June 2017 Consolidated	Six months ended 30 June 2018 Company	Six months ended 30 June 2017 Company
<b>1. Revenue</b>	4(32),15(19)	<b>866,061,361.05</b>	442,355,817.53	<b>812,613,616.26</b>	412,154,385.05
Less: Cost of sales	4(32),15(19)	<b>(700,219,834.67)</b>	(380,468,199.36)	<b>(698,916,874.06)</b>	(368,138,655.43)
Taxes and surcharges	4(34)	<b>(18,841,871.46)</b>	(13,477,208.96)	<b>(3,493,365.57)</b>	(2,850,850.62)
Selling and distribution expenses	4(35)	<b>(19,568,932.88)</b>	(12,250,870.16)	<b>(3,609,166.64)</b>	(4,195,303.54)
General and administrative expenses	4(36)	<b>(49,475,078.29)</b>	(48,515,742.05)	<b>(14,438,619.29)</b>	(14,896,699.20)
Financial expenses – net	4(37),15(20)	<b>(66,977,303.98)</b>	(60,201,732.03)	<b>(27,323,217.60)</b>	(11,790,677.62)
Including: interest expenses		<b>(63,818,924.09)</b>	(64,068,815.81)	<b>(52,350,840.44)</b>	(44,022,319.07)
Interest income		<b>1,048,717.91</b>	5,544,572.62	<b>28,368,635.21</b>	33,292,842.62
Assets impairment losses	4(14),4(38),15(13)	<b>(265,291.93)</b>	(7,062,496.95)	–	–
Add: Other income	4(39)	<b>3,119,201.47</b>	9,63,623.52	<b>30,666.00</b>	30,666.00
Investment (losses)/income	4(40),15(22)	<b>(1,047,486.67)</b>	2,645,898.97	<b>5,938,235.36</b>	407,841.85
Including: Share of (losses)/income of joint venture		<b>(5,758,695.03)</b>	(4,233,756.22)	<b>1,400,167.49</b>	(4,032,994.86)
Losses from changes in fair value	4(41)	<b>895,135.66</b>	–	–	–
Gains on disposal of non-current assets	4(42)	<b>10,000.00</b>	89,485.96	<b>10,000.00</b>	–
<b>2. Operating (loss)/profit</b>		<b>11,899,626.98</b>	(75,921,423.53)	<b>70,811,274.46</b>	10,720,706.49
Add: Non-operating income	4(43)	<b>553,700.90</b>	873,447.60	<b>48,114.24</b>	11,479.14
Less: Non-operating expenses	4(44)	<b>(427,984.34)</b>	(1,673,760.92)	<b>(21,823.84)</b>	(80,000.00)
<b>3. Total (loss)/profit</b>		<b>12,025,343.54</b>	(76,721,736.85)	<b>70,837,564.86</b>	10,652,185.63
Less: Income tax expenses	4(45), 15(23)	<b>(3,212,810.03)</b>	12,203,437.59	<b>(10,952,246.14)</b>	(2,202,777.07)
<b>4. Net (loss)/profit</b>		<b>8,812,533.51</b>	(64,518,299.26)	<b>59,885,318.72</b>	8,449,408.56
Net (loss)/profit from continuing operations		<b>8,812,533.51</b>	(64,518,299.26)	<b>59,885,318.72</b>	8,449,408.56
Net (loss)/profit from termination of operations		–	–	–	–
Net (loss)/profit is attributable to:					
Shareholders of the Company		<b>8,731,276.99</b>	(64,642,037.39)	<b>59,885,318.72</b>	8,449,408.56
Non-controlling interests	5(1)	<b>81,256.52</b>	123,738.13	–	–

# CONSOLIDATED AND COMPANY INCOME STATEMENTS (UNAUDITED)

For the six months 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

Note	Six months ended 30 June 2018 Consolidated	Six months ended 30 June 2017 Consolidated	Six months ended 30 June 2018 Company	Six months ended 30 June 2017 Company
<b>5. Other comprehensive income after tax</b>	-	-	-	-
<b>6. Total comprehensive income/(loss)</b>	<b>8,812,533.51</b>	(64,518,299.26)	<b>59,885,318.72</b>	8,449,408.56
Comprehensive income/(loss) attributable to shareholders of the Company	<b>8,731,276.99</b>	(64,642,037.39)	<b>59,885,318.72</b>	8,449,408.56
Comprehensive income attributable to non-controlling interests	<b>81,256.52</b>	123,738.13	-	-
<b>7. Loss per share</b>				
Basic income/(loss) per share	4(46)	<b>0.004</b>	(0.029)	-
Diluted income/(loss) per share	4(46)	<b>0.004</b>	(0.029)	-

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:  
**Li Jianhua**

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

For the six months 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

Note	Six months ended 30 June 2018 Consolidated	Six months ended 30 June 2017 Consolidated	Six months ended 30 June 2018 Company	Six months ended 30 June 2017 Company
<b>1. Cash flows from operating activities</b>				
Cash received from sales of goods or rendering of services	729,600,690.76	643,403,808.56	513,458,829.10	595,499,186.71
Refund of taxes and surcharges	-	3,375,055.30	-	3,375,055.30
Cash received relating to other operating activities	36,534,619.05	6,313,131.28	140,487,421.30	40,541,020.50
	<b>766,135,309.81</b>	653,091,995.14	<b>653,946,250.40</b>	639,415,262.51
<b>Sub-total of cash inflows</b>				
Cash paid for goods and services	(454,914,403.08)	(332,930,630.71)	(678,354,304.16)	(863,258,979.36)
Cash paid to and on behalf of employees	(128,574,646.91)	(124,483,630.34)	(48,317,644.54)	(43,697,594.69)
Payments of taxes and surcharges	(93,866,316.20)	(63,068,144.68)	(9,174,587.65)	(9,038,816.77)
Cash paid relating to other operating activities	(32,974,379.27)	(62,490,739.18)	(7,068,646.84)	(254,760,148.95)
	<b>(710,329,745.46)</b>	(582,973,144.91)	<b>(742,915,183.19)</b>	(1,170,755,539.77)
<b>Sub-total of cash outflows</b>				
<b>Net cash flows generated from/ (used in) operating activities</b>	<b>55,805,564.35</b>	70,118,850.23	<b>(88,968,932.79)</b>	(531,340,277.26)
<b>2. Cash flows from investing activities</b>				
Cash received from returns on investments	4,923,325.86	6,879,655.19	4,538,067.87	4,440,836.70
Cash received from disposal of fixed assets and other long-term assets	31,610.25	346,875.40	31,610.25	-
Cash received from disposal of financial assets	1,701,660,000.00	2,689,767,000.00	1,672,180,000.00	1,839,667,000.00
Cash received relating to other investing activities	84,302,320.00	-	82,657,909.62	754,221,444.21
	<b>1,790,917,256.11</b>	2,696,993,530.59	<b>1,759,407,587.74</b>	2,598,329,280.91
<b>Sub-total of cash inflows</b>				
Cash paid to acquire fixed assets and other long-term assets	(39,271,380.15)	(41,977,668.45)	(11,560,541.78)	(26,787,592.24)
Cash paid to acquire financial assets	(1,907,080,000.00)	(2,509,080,000.00)	(1,877,210,000.00)	(1,807,880,000.00)
Cash paid to provide loans to subsidiaries	-	-	-	(135,785,400.00)
Cash paid relating to other investing activities	(30,000,000.00)	-	(30,000,000.00)	-
	<b>(1,976,351,380.15)</b>	(2,551,057,668.45)	<b>(1,918,770,541.78)</b>	(1,970,452,992.24)
<b>Sub-total of cash outflows</b>				
<b>Net cash flows generated from/ (used in) investing activities</b>	<b>(185,434,124.04)</b>	145,935,862.14	<b>(159,362,954.04)</b>	627,876,288.67

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS (UNAUDITED)

For the six months 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2018 Consolidated	Six months ended 30 June 2017 Consolidated	Six months ended 30 June 2018 Company	Six months ended 30 June 2017 Company
<b>3. Cash flows from financing activities</b>					
Cash received from borrowings		1,250,000,000.00	962,093,425.11	900,000,000.00	580,000,000.00
<b>Sub-total of cash inflows</b>		<b>1,250,000,000.00</b>	962,093,425.11	<b>900,000,000.00</b>	580,000,000.00
Cash repayments of borrowings		(781,807,200.00)	(983,693,150.55)	(581,000,000.00)	(500,000,000.00)
Cash payments for interest expenses		(45,329,623.43)	(77,017,576.23)	(25,974,174.14)	(48,646,019.16)
<b>Sub-total of cash outflows</b>		<b>(827,136,823.43)</b>	(1,060,710,726.78)	<b>(606,974,174.14)</b>	(548,646,019.16)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>422,863,176.57</b>	(98,617,301.67)	<b>293,025,825.86</b>	31,353,980.84
<b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>		-	-	-	-
<b>5. Net increase/(decrease) in cash and cash equivalents</b>					
4(48)(a)		<b>293,234,616.88</b>	117,437,410.70	<b>44,693,939.03</b>	127,889,992.25
Add: Cash and cash equivalents at beginning of year	4(48)(a)	<b>346,307,415.13</b>	100,406,459.07	<b>255,179,264.57</b>	18,569,742.78
<b>6. Cash and cash equivalents at end of year</b>					
4(48)(b)		<b>639,542,032.01</b>	217,843,869.77	<b>299,873,203.60</b>	146,459,735.03

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:  
**Li Jianhua**



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

	Attributable to shareholders of the Company						Non-controlling interests (note 5(1))	Total owners' equity
	Share capital (note 4(27))	Capita surplus (note 4(28))	Specific reserve (note 4(29))	Surplus reserve (note 4(30))	Accumulated losses (note 4(31))	Sub-total		
<b>Balance at 1 January 2017</b>	552,500,000.00	4,263,591,716.44	1,543,421.85	249,625,789.74	(691,384,794.32)	4,375,876,133.71	75,835,911.46	4,451,712,045.17
<b>Movements for the period ended 30 June 2017</b>								
Comprehensive loss								
– Net loss	-	-	-	-	(64,642,037.39)	(64,642,037.39)	123,738.13	(64,518,299.26)
– Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(64,642,037.39)	(64,642,037.39)	123,738.13	(64,518,299.26)
Shareholder's investment and capital reduction								
– Other	-	(5,021,718.68)	-	-	-	(5,021,718.68)	-	(5,021,718.68)
Appropriation to specific reserve	-	-	15,289,849.03	-	-	15,289,849.03	88.29	15,289,937.32
Utilisation of specific reserve	-	-	(14,506,451.30)	-	-	(14,506,451.30)	-	(14,506,451.30)
<b>Balance at 30 June 2017</b>	552,500,000.00	4,258,569,997.76	2,326,819.58	249,625,789.74	(756,026,831.71)	4,306,995,775.37	75,959,737.87	4,382,955,513.24
<b>Balance at 1 January 2018</b>	552,500,000.00	4,258,569,997.76	232,071.41	249,625,789.74	(772,972,140.31)	4,287,955,718.60	74,563,050.90	4,362,518,769.50
<b>Movements for the period ended 30 June 2018</b>								
Comprehensive profit								
– Net profit	-	-	-	-	8,731,276.99	8,731,276.99	81,256.52	8,812,533.51
– Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive profit	-	-	-	-	8,731,276.99	8,731,276.99	81,256.52	8,812,533.51
Shareholder's investment and capital reduction								
– Other	-	-	-	-	-	-	-	-
Appropriation to specific reserve	-	-	15,541,335.86	-	-	15,541,335.86	9,399.91	15,550,735.78
Utilisation of specific reserve	-	-	(9,343,174.30)	-	-	(9,343,174.30)	-	(9,343,174.30)
<b>Balance at 30 June 2018</b>	552,500,000.00	4,258,569,997.76	6,430,232.97	249,625,789.74	(764,240,863.32)	4,302,885,157.15	74,653,707.33	4,377,538,864.48

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:  
**Li Jianhua**

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six months 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

	Share capital (note 4(27))	Capital surplus (note 4(28))	Specific reserve (note 4(29))	Surplus reserve (note 4(30))	Accumulated losses (note 4(31))	Total owners' equity
<b>Balance at 1 January 2017</b>	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(349,247,862.80)	4,707,632,784.43
<b>Movements for the period ended 30 June 2017</b>						
Comprehensive income						
– Net profit	-	-	-	-	8,449,408.56	8,449,408.56
– Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	8,449,408.56	8,449,408.56
Appropriation to specific reserve	-	-	3,735,593.94	-	-	3,735,593.94
Utilisation of specific reserve	-	-	(2,406,872.96)	-	-	(2,406,872.96)
<b>Balance at 30 June 2017</b>	552,500,000.00	4,254,754,857.49	1,328,720.98	249,625,789.74	(340,798,454.24)	4,717,410,913.97
<b>Balance at 1 January 2018</b>	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(253,841,147.72)	4,803,039,499.51
<b>Movements for the period ended 30 June 2018</b>						
Comprehensive income						
– Net profit	-	-	-	-	59,885,318.72	59,885,318.72
– Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	59,885,318.72	59,885,318.72
Appropriation to specific reserve	-	-	3,329,940.24	-	-	3,329,940.24
Utilisation of specific reserve	-	-	(61,397.00)	-	-	(61,397.00)
<b>Balance at 30 June 2018</b>	552,500,000.00	4,254,754,857.49	3,268,543.24	249,625,789.74	(193,955,829.00)	4,866,193,361.47

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:  
**Li Jianhua**

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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 August 30, 2018.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(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.

At 30 June 2018 the Group’s net current liabilities were RMB222,857,616.15. For the six months ended 30 June 2018, the Group’s net profits were RMB8,812,533.51, the operation cash inflow were RMB55,805,564.35; and the directors believe that the Group will generate sufficient cash inflow from future operating cash inflow, the use of current banking facility and the renewal of existing loans to enable its going concern, therefore the consolidated financial statements are prepared on going concern basis.

The new Hong Kong Companies Ordinance went into effect in 2015, 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 2018 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 2018 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 is Renminbi (RMB).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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 ended 30 June 2018  
(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 ended 30 June 2018

(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 income; (3) financial assets at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. 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 instruments that are in line with the definition of financial liabilities from the issuer's perspective. There are three categories into which the Group classifies its debt instruments:

- at amortised cost:

The group's business model for managing such financial assets is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. That is, the cash flows generated on a specific date, represent solely payment of the principal and interest on the outstanding principal amount. The Group 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 ended 30 June 2018  
(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.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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)

###### 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.

##### (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 and reliable 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 the 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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)

For financial instruments with lower credit risk on balance sheet date, the Group assumes that its credit risk has not increased significantly since its initial recognition, and the loss allowance will be established at an amount equal to 12 month expected losses.

The Group calculate interest income by applying the effective interest method to the to the gross carrying amount for financial assets at first stage, second stage and those with lower credit risk. For financial assets at third stage, the Group calculates interest applying the effective interest method based on the amortised cost, which is gross carrying amount less loss allowance.

The Group measure the loss allowance at an amount equal to lifetime expected credit losses for trade and note receivables, regardless of whether it contains a significant financing component or not.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and 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 cash advance	Cash advance

For the notes receivable classified as a group, the Group refers to the historical credit loss experience, combined with the forecast of the current and the future economic condition to calculate the expected credit loss according to the default risk exposure and the expected credit loss rate throughout the lifetime.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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)*

For the trade receivable classified as a group, the Group refers to the historical credit loss experience, combined with the forecast of the current and the future economic condition to calculate the expected credit loss according to the days overdue and expected credit loss through full life time in reference.

For the other receivable classified as a group, the Group refers to the historical credit loss experience, combined with the forecast of the current and the future economic condition to calculate the expected credit loss according to the default risk exposure and expected credit loss rates over the next 12 months or throughout the lifetime.

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.

##### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)*

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

### (9) Financial instruments (continued)

#### (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.

#### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Inventories

#### (a) Classification

Inventories include raw materials, work in progress, semi-finished goods and finished goods, 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.

### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Long-term equity investments (continued)

#### (a) Determination of investment cost

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

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price 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.

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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Long-term equity investments (continued)

#### (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)).

### (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.

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For the six months ended 30 June 2018  
(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

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.

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.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (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)).

### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)*

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

### (15) Intangible assets (continued)

#### (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.

#### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Exploration assets and filling cost (continued)

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.

Filling cost incurred after mineral mining is recorded in the cost of production.

### (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.

### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)*

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

### (19) Impairment of long-term assets (continued)

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.

### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (20) Employee benefits (continued)

#### (b) Post-employment benefits (continued)

##### *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.

#### (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.

##### *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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)*

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

### (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.

### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (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

The group's products are sold to purchasers. The group will ship the products to the agreed place of delivery in accordance with the contract and recognize the revenue after the purchaser's acceptance. The credit term is usually 180 days, consistent with industry practice, and there is no significant financing component.

### (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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)*

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

### (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.

### (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.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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 (continued)

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

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group 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.

### (28) Leases

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.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Income from an operating lease is recognised on a straight-line basis over the period of the lease.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)*

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

### (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.

### (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:

#### (a) 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 2018, there was no impairment provided for fixed assets, construction in progress, land use rights, mining rights and exploration rights. As determined by management, fixed assets, construction in progress, land use rights, mining rights and exploration rights 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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)

#### (b) 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 2018, 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 price of nickel and copper, discount rates and inflation rate. The discount rates used in cash flow projections varied with different cash generating units.

#### (c) 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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)

#### (c) Income tax (continued)

As at 30 June 2018, deferred tax assets of RMB124,740,829.31 have been recognised in the Group's balance sheet. As stated in note 4(25)(c), the Group still has unrecognised deductible temporary losses of RMB123,971,918.26 and unrecognised deductible temporary differences of RMB11,832,299.95 as at 30 June 2018. 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.

#### (d) 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.

#### (e) 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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)

#### (f) Estimate of inventory net realizable value

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.

#### (g) 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 growth of the expected unemployment rate, the external market environment, the technological 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 in 2018.

#### (h) 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Significant changes in accounting policies

- (a) In 2018, the Ministry of Finance issued the Notice on Revising and Issuing the Formats of Corporate Financial Statements for 2018 (Cai Kuai [2018] No. 15) The financial statements are prepared in accordance with the above standards and notice, and the comparatives were adjusted accordingly and impacts are as follows:

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		2017 December 31	2017 January 1
The group shall incorporate notes receivable and account receivables into one account.	Accounts receivable	(100,361,060.38)	(112,130,198.60)
	Notes receivable	(105,474,868.86)	(190,672,515.58)
	Notes receivable and accounts receivable	205,835,929.24	302,802,714.18
		2017 December 31	2017 January 1
The group incorporates interest receivable and other receivables into other receivables items.	Interest receivable	(212,117.50)	–
	Other receivables	212,117.50	–
		2017 December 31	2017 January 1
The group will incorporate Construction in process and engineering materials into Construction in process.	Construction in process	643,582.37	642,609.04
	Engineering materials	(643,582.37)	(642,609.04)
		2017 December 31	2017 January 1
The group incorporates notes payable and accounts payable into the notes payable and Accounts payable items.	Accounts payable	(271,749,952.15)	(302,860,921.14)
	Notes payable	(278,400,000.00)	(101,250,000.00)
	Notes payable and Accounts payable	550,149,952.15	404,110,921.14
	Accounts payable		

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Significant changes in accounting policies (continued)

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		2017 December 31	2017 January 1
The group incorporates interest payable and other payables into other due-to-payment items.	Interest payable	(8,291,991.51)	(40,942,962.32)
	Other payables	8,291,991.51	40,942,962.32
		2017 December 31	2017 January 1
	The group incorporates long-term payables and special payables into long-term payables.	Long-term payables	13,193,941.11
	Special payables	(13,193,941.11)	–

- (b) In 2017, the Ministry of Finance issued 「Accounting Standard for Business Enterprises No. 14 – Revenue」(the 「New Revenue Standard」). The financial statements are prepared in accordance with the above standards and notice, and impacts are as follows:

According to the relevant provisions of the New Revenue Standard, the New Revenue Standard should be implemented since January 1, 2018. The New Revenue Standard does not have a significant impact on the shareholders' equity of the group's consolidated financial statements. The group's first adoption of the New Revenue Standard affects other related items in the financial statements as follows, and the comparative financial statements for 2017 are not restated.

The nature and the reasons of the changes in accounting policies	The line items affected	The amounts affected	
		2018 January 1	
As a result of the implementation of the new revenue standards, the group reclassified the balance of the advance from customers to the contract liabilities. The comparative financial statements for 2017 are not restated.	Contract liabilities	26,494,587.46	
	Advances from customers	(26,494,587.46)	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Significant changes in accounting policies (continued)

- (c) In 2017, the Ministry of Finance issued 「Accounting Standard for Business Enterprises No. 22 – Financial instruments: recognition and measurement」, 「Accounting Standard for Business Enterprises No. 23 – Transfer of financial assets」, 「Accounting Standard for Business Enterprises No. 24 – Hedging」, 「Accounting Standard for Business Enterprises No. 37 – Presentation of financial instruments」. (collectively the 「New Revenue Standard」). The financial statements are prepared in accordance with the above standards, and the comparative financial statements for 2017 are not restated.
- (i) On January 1, 2018, the results of financial assets were categorized and measured in accordance with the rules of the original financial instruments and the guidelines for new financial instruments:

Guidelines for original financial instruments

Guidelines for original financial instruments			Guidelines for new financial instruments		
Account	Measurement category	Carrying value	Account	Measurement category	Carrying value
Cash at bank and on hand	At Amortization costs	416,681,699.08	Cash at bank and on hand	At Amortization costs	416,681,699.08
			Financial assets held for trading	At fair value through profit and loss	-
Available-for-sale financial assets	At costs	105,620,000.00	Financial assets held for trading	At fair value through profit and loss	105,620,000.00
Notes receivable & Account receivable	At Amortization costs	205,835,929.24	Notes receivable & Account receivable	At Amortization costs	205,835,929.24
			Other current assets	At fair value and through Other comprehensive incomes	-
Other receivables	At Amortization costs	100,665,053.61	Other receivables	At Amortization costs	100,665,053.61

On December 31, 2017 and January 1, 2018, the group was not designated as a financial asset measured at fair value and through profit and loss.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (31) Significant changes in accounting policies (continued)

(c) (continued)

- (ii) On January 1, 2018, the book value of the original financial asset was adjusted to the book value of the new financial instrument criterion under the new financial Instruments, measurement category:

	<i>note</i>	<b>Book value</b>
Transactional financial assets December 31, 2017		–
Add: Transfer from the Available-for-sale financial assets (original financial instruments guidelines)	i)	105,620,000.00
January 1, 2018		105,620,000.00
Total of financial assets measured at fair value and through profit and loss (new financial instrument guidelines)		105,620,000.00
	<i>note</i>	<b>Book value</b>
Available-for-sale financial assets December 31, 2017		105,620,000.00
Add: Transfer into financial assets measured at fair value and through profit and loss of fair value (new financial instrument guidelines)	i)	105,620,000.00
January 1, 2018		–
Total of financial assets measured at fair value and through other comprehensive income (new financial instrument guidelines)		–

- i) On December 31, 2017, the balance of guaranteed and floating-earning financial products that the Group held were RMB105,620,000.00. After the group's adoption of the New Financial instruments Standard, the contractual cash flow characteristics of the financial products are not in line with the basic lending arrangements. Therefore, on January 1, 2018, the group reclassified the financial product from the Available-for-sale financial assets to be measured at fair value and through profit and loss of the finance assets, presented as the Financial assets held for trading.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION

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

Type	Taxable base	Tax rate
Corporate income tax	Taxable income	15%/20%/25% (note (1))
Value-added tax ("VAT")	Taxable turnover amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)	17%/16% (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	1.2%
	Rental income of property	12%
Environment tax	Pollution equivalent	RMB1.2/pollution equivalent (note (4))

### (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) 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 2018 after communication with local tax authorities (2017: 15%).
- (b) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% in 2018 (2017: 25%).
- (c) The subsidiary, Xinjiang Yakesi Resource Development Co., Ltd. (hereafter "Xinjiang Yakesi"), qualifies as a foreign investment manufacturing enterprise established in Hami, Xinjiang Uygur Autonomous Region. Xinjiang Yakesi 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. Xinjiang Yakesi calculated and paid corporate income tax using the preferential rate of 15% in 2018 after communication with local tax authorities (2017: 15%).
- (d) 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 2018 after communication with local tax authorities (2017: 15%).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 3 TAXATION (CONTINUED)

### (1) Corporate income tax (continued)

- (e) 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 2018 after communication with local tax authorities (2017:15%).
- (f) 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 2018 after communication with local tax authorities (2017: 20%).
- (g) 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 2018 (2017: 25%).

### (2) Value-added tax

The Group’s main product sales are subject to VAT. Output VAT rate was 17% before 1 May 2018 and was 16% after 1 May 2018.

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”, before 1 July 2016, Kalatongke Mining pays resources tax of RMB12 per ton based on ore production in current month, and Xinjiang Yakesi and Hami Jubao pay RMB6 per ton based on ore production in current month. Pursuant to regulation No. [2016] 24, “Regional Tax Bureau of Xinjiang Uygur Autonomous Region about adjusting local resources tax rate, conversion ratio and concentration ratio” since 1 July 2016, Kalatongke Mining pays resources tax of 4% of consumption of taxable products regarded as sales in current month, and Xinjiang Yakesi and Hami Jubao pay 4% of sales based on sales of taxable products in current month.

### (4) Environment tax

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (1) Cash at bank and on hand

	30 June 2018	31 December 2017
Cash on hand	15,835.39	23,357.99
Cash at bank	639,526,196.62	346,284,057.14
Restricted cash at banks (a)	37,948,321.70	70,374,283.95
	<b>677,490,353.71</b>	416,681,699.08

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

	30 June 2018	31 December 2017
Deposits for issue of bank acceptance notes	26,292,677.43	58,718,639.68
Deposits for environmental recovery and safety of production	11,655,644.27	11,655,644.27
	<b>37,948,321.70</b>	70,374,283.95

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (2) Financial assets held for trading

	30 June 2018	31 December 2017
Financial assets measured at fair value through profit or loss	<b>311,040,000.00</b>	–

### (3) Notes receivable & Accounts receivable

	30 June 2018	31 December 2017
Notes receivable (a)	<b>178,804,589.57</b>	100,361,060.38
Accounts receivable (b)	<b>95,954,108.75</b>	105,474,868.86
	<b>274,758,698.32</b>	205,835,929.24

#### (a) Notes receivable

	30 June 2018	31 December 2017
Bank acceptance notes	<b>178,804,589.57</b>	100,361,060.38
Less: provision for bad	–	–
	<b>178,804,589.57</b>	100,361,060.38

All the notes receivable will be matured within 180 days.

As at 30 June 2018 and 31 December 2017, there were no notes receivable pledged as collateral.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (3) Notes receivable & Accounts receivable (continued)

#### (b) Accounts receivable

	30 June 2018	31 December 2017
Accounts receivable	99,724,903.73	109,245,663.84
Less: provision for bad debts	(3,770,794.98)	(3,770,794.98)
	<b>95,954,108.75</b>	105,474,868.86

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.

- (i) On June 30, 2018, the summary analysis of accounts receivable in the top five of the balances collected by the defaulting party is as follows:

	Ending Balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	93,941,213.69	(1,155,416.10)	97.90%

- (ii) No accounts receivable terminated due to transfer of financial assets during the period.
- (iii) The ageing of accounts receivable based on their recording dates was analysed as follows:

	30 June 2018	31 December 2017
Within 1 year	72,422,700.71	69,429,011.77
1 to 2 years	2,485,550.95	11,463,054.43
2 to 3 years	11,463,054.43	18,934,881.90
3 to 4 years	5,335,812.59	5,638,695.51
4 to 5 years	4,237,764.82	74,400.20
Over 5 years	3,780,020.23	3,705,620.03
	<b>99,724,903.73</b>	109,245,663.84

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (3) Notes receivable & Accounts receivable (continued)

#### (c) Provision for bad debts

	30 June 2018	31 December 2017
Provision for bad debts of Notes Receivable	–	–
Provision for bad debts of Accounts Receivable	<b>(3,770,794.98)</b>	(3,770,794.98)
	<b>(3,770,794.98)</b>	(3,770,794.98)

(i) On June 30, 2018, the related provision of bad debts receivable notes and Accounts receivable analysis as follows:

Group-Related parties:

	Ending Balance	30 June 2018 Provision for bad debts Expected credit loss rate throughout the duration	
	Amount		Amount
Current	8,661,145.52	–	–
1–30 days Overdue	–	–	–
31–60 days Overdue	–	–	–
61–90 days Overdue	–	–	–
More than 90 days overdue	24,745,114.29	5.89%	(1,456,617.80)
	<b>33,406,259.81</b>		<b>(1,456,617.80)</b>

Group–Non-related parties :

	Ending Balance	30 June 2018 Provision for bad debts Expected credit loss rate throughout the duration	
	Amount		Amount
Current	63,761,555.19	–	–
1–30 days Overdue	–	–	–
31–60 days Overdue	–	–	–
61–90 days Overdue	–	–	–
More than 90 days overdue	2,557,088.73	90.50%	(2,314,177.18)
	<b>66,318,643.92</b>		<b>(2,314,177.18)</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (3) Notes receivable & Accounts receivable (continued)

#### (c) Provision for bad debts (continued)

(ii) This period does not mention the provision for bad debts, did not occur to recover or revert to the provision of bad debts.

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

### (4) Advances to suppliers

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

	30 June 2018		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	47,473,331.08	89.09%	18,762,511.33	79.77%
1 to 2 years	1,833,812.54	3.44%	1,093,347.89	4.65%
2 to 3 years	645,953.69	1.21%	1,368,046.21	5.82%
Over 3 years	3,338,128.57	6.26%	2,295,991.18	9.76%
	<b>53,291,225.88</b>	<b>100.00%</b>	23,519,896.61	100.00%

As at 30 June 2018, advances to suppliers over 1 year with carrying amount of RMB5,817,894.80 (31 December 2017: RMB4,757,385.28) were mainly advances paid for purchasing raw materials.

(b) As at 30 June 2018, the top five advances to suppliers were analysed as follows:

	Amount	% of total balance
Total amount of the top five advances to suppliers	33,217,420.94	62.33%



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (5) Other receivables

	30 June 2018	31 December 2017
Amount due from related parties (note 8(6)(b))	43,891,211.21	98,129,480.94
Amount due from equity and debt transfer (a)	5,812,100.00	5,812,100.00
Cash advance	–	212,117.50
Others	4,969,338.10	4,419,801.58
	<b>54,672,649.31</b>	108,573,500.02
Less: provision for bad debts	<b>(7,908,446.41)</b>	(7,908,446.41)
	<b>46,764,202.90</b>	100,665,053.61

(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

(i) On June 30, 2018, 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	reasons
on the grouping basis:				
Related party				
Customers	43,891,211.21	–	–	
Staff Reserve	461,144.97	–	–	
Others	2,411,846.72	–	–	
	<b>46,764,202.90</b>		–	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (5) Other receivables (continued)

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

(ii) On June 30, 2018, the analysis of bad debts for other receivables in second stage was analysed as follows:

	Ending Balance	Expected credit losses in the next 12 months	Provision for bad debts	reasons
on the individual basis:				
Transfer of debt receivable from Gansu Ximai New Material Technology Co., Ltd	5,812,100.00	100.00%	(5,812,100.00)	i)
Funds receivable from Bei'a Railway Co., Ltd	2,000,000.00	100.00%	(2,000,000.00)	ii)
Others	96,346.41	100.00%	(96,346.41)	
	<u>7,908,446.41</u>		<u>(7,908,446.41)</u>	

i) On June 31, 2018, the amount of other receivables of Gansu West Vein Company's equity transfer amount is 5,812,100.00. Because the other party was still in short supply and had not repaid the sum and involved a number of legal proceedings, the Group considered that the other receivables were difficult to recover and therefore made full provision for bad debts.

ii) On June 31, 2018, the amount of other receivables of Xinjiang Bei'a Railway Co., Ltd 's equity transfer amount is 2,000,000.00. Since the Railway project has not yet commenced, there is no substantial progress, and no dividend to the group and other acts. Therefore, the Group considers that the investment payment is difficult to recover, so the full amount of the provision for bad debts.

(iii) On June 30, 2018, the group did not have other receivables in third stage.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (5) Other receivables (continued)

- (c) No provision for bad debts has been made during the period and no recovery or reversal of the preparation of bad debts has occurred.
- (d) No write-off occurred during the period.
- (e) As at 30 June 2018, the top five other receivables were analysed as follows:

	Nature	Amount	Ageing	% of total	Provision of bad debts
Hami Jinhui Real Estate Development Co., Ltd	Transfer of receivables	30,000,000.00	1-2 years	54.87%	-
Hexin Mining	Loan	12,982,000.00	Within 1 year	23.74%	-
Gansu Ximai New Material Technology Co., Ltd	Transfer of equity and debt	5,812,100.00	4-5 years	10.63%	(5,812,100.00)
Xinjiang Bei'a Railway Co., Ltd	Deposit	2,000,000.00	3-4 years	3.66%	(2,000,000.00)
Fuyun Hengsheng Beryllium Industry Co., Ltd	Utilities	617,598.44	Within 1 year	1.13%	-
		51,411,698.44		94.04%	(7,812,100.00)

### (6) Inventories

- (a) Classification of inventories was as follows:

	30 June 2018			31 December 2017		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	185,749,632.05	(4,336,822.90)	181,412,809.15	219,690,786.72	(4,336,822.90)	215,353,963.82
Work in progress	505,024,894.64	-	505,024,894.64	182,206,856.90	-	182,206,856.90
Semi-finished goods	224,135,786.02	-	224,135,786.02	554,865,961.61	-	554,865,961.61
Finished goods	459,128,083.50	(3,325,503.50)	455,802,580.00	479,833,575.30	(3,469,565.73)	476,364,009.57
	1,374,038,396.21	(7,662,326.40)	1,366,376,069.81	1,436,597,180.53	(7,806,388.63)	1,428,790,791.90

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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (6) Inventories (continued)

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

	31 December 2017	Increase in current period Accrualment	Decrease in current period Reversal	Sold	30 June 2018
Raw materials	(4,336,822.90)	-	-	-	<b>(4,336,822.90)</b>
Finished goods	(3,469,565.73)	(265,291.93)	-	409,354.16	<b>(3,325,503.50)</b>
	(7,806,388.63)	(265,291.93)	-	409,354.16	<b>(7,662,326.40)</b>

(c) Provision for decline in value of inventories was as follows:

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.

### (7) Other current assets

	30 June 2018	31 December 2017
Available-for-sale financial assets	-	105,620,000.00
Input VAT to be deducted	<b>10,794,576.09</b>	26,911,225.29
Prepaid income tax	<b>10,644,723.82</b>	10,896,764.22
	<b>21,439,299.91</b>	143,427,989.51

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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (8) Long-term equity investments

	30 June 2018	31 December 2017
Joint venture (a)	138,745,125.46	144,503,820.49
Less: provision of long-term equity investments	-	-
	<b>138,745,125.46</b>	144,503,820.49

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

### (a) Joint ventures

	31 December 2017	Increase in investment	Current year movement					30 June 2018	Provision for impairment	
			Share of net profit using the equity method (note 4(40))	Offsetting the unrealised loss of internal transaction (note 5(2)(b))	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared			Impairment provided in the current year
Hexin Mining	144,503,820.49	-	1,400,167.49	(7,158,862.52)	-	-	-	-	<b>138,745,125.46</b>	-

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.

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For the six months ended 30 June 2018  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (9) Fixed assets

	Buildings	Mining structure	Machinery and equipment	Motor vehicles	Electronic and office equipment	Total
<b>Cost</b>						
31 December 2017	1,678,860,287.00	1,060,026,492.74	1,420,235,620.97	48,913,881.37	89,447,709.07	4,297,483,991.15
<b>Additions</b>						
Purchase	1,031,212.79	-	11,503,850.10	48,534.19	1,191,577.84	13,775,174.92
Transfer-in from construction in progress (note 4(10)(a))	1,128,855.91	-	-	-	-	1,128,855.91
<b>Reductions</b>						
Other disposal	-	-	-	(450,000.00)	(269,615.26)	(719,615.26)
<b>30 June 2018</b>	<b>1,681,020,355.70</b>	<b>1,060,026,492.74</b>	<b>1,431,739,471.07</b>	<b>48,512,415.56</b>	<b>90,583,781.65</b>	<b>4,311,882,516.72</b>
<b>Accumulated depreciation</b>						
31 December 2017	412,355,495.74	197,612,972.09	650,860,221.31	36,061,331.44	50,766,357.45	1,347,656,378.03
Accrument	27,809,281.15	18,672,138.39	49,899,016.98	1,590,639.22	4,929,926.59	102,901,002.33
Other disposal and retirement	-	-	-	(436,500.00)	(261,505.01)	(698,005.01)
<b>30 June 2018</b>	<b>440,164,776.89</b>	<b>216,285,110.48</b>	<b>700,759,238.29</b>	<b>37,215,470.66</b>	<b>55,434,779.03</b>	<b>1,449,859,375.35</b>
<b>Net Book Value</b>						
<b>30 June 2018</b>	<b>1,240,855,578.81</b>	<b>843,741,382.26</b>	<b>730,980,232.78</b>	<b>11,296,944.90</b>	<b>34,934,892.62</b>	<b>2,861,809,031.37</b>
31 December 2017	1,266,504,791.26	862,413,520.65	769,375,399.66	12,852,549.93	38,681,351.62	2,949,827,613.12

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (9) Fixed assets (continued)

For the 6-month period ended June 30, 2018, depreciation expense of fixed assets amounted to RMB102,901,002.33 (for the 6-month period ended June 30, 2017: RMB98,112,964.54), of which RMB95,538,737.35 were charged to cost of sales, RMB7,181,672.57 to general and administrative expenses, RMB76,164.59 to selling expense and RMB104,427.82 to construction in progress (for the 6-month period ended June 30, 2017: RMB91,369,942.82, RMB6,564,957.98, RMB72,126.47 and RMB105,937.27 respectively).

The costs of fixed assets transferred-in from construction in progress amounted to RMB1,128,855.91 for the six months ended 30 June 2018. (for the 6-month period ended June 30, 2017: RMB222,606.84).

#### (a) Temporarily idle fixed assets

For the six months ended 30 June 2018, fixed assets with carrying amount of RMB88,000,453.84 (cost of RMB192,302,138.02) were temporarily idle for the purpose of production facility improvement (31 December 2017: RMB91,271,381.32 (cost of RMB192,302,138.02)), and analysed as follows:

	Costs	Accumulated depreciation	Net Book Value
Machinery and equipment	48,080,268.10	(41,670,396.69)	6,409,871.41
Buildings	30,810,218.40	(19,129,547.97)	11,680,670.43
Electronic and office equipment	876,566.55	(801,550.13)	75,016.42
Well Lan structure	112,535,084.97	(42,700,189.39)	69,834,895.58
	192,302,138.02	(104,301,684.18)	88,000,453.84

#### (b) Fixed assets with pending certificates of ownership

As at 30 June 2018, the net book value of RMB559,077,505.72 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.

### (10) Construction in progress

	30 June 2018	31 December 2017
Construction in progress (a)	1,296,521,516.10	1,244,796,558.18
Construction materials (b)	640,599.82	643,582.37
	1,297,162,115.92	1,245,440,140.55

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For the six months ended 30 June 2018  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (10) Construction in progress (continued)

#### (a) Construction in progress

	30 June 2018			31 December 2017		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
<b>The Company:</b>						
<b>Fukang Refinery</b>						
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
Other projects	61,771,057.70	-	61,771,057.70	54,687,725.00	-	54,687,725.00
Sub-total of the Company	65,167,105.81	-	65,167,105.81	58,083,773.11	-	58,083,773.11
<b>Subsidiaries:</b>						
<b>Kalatongke Mining</b>						
Nickel smelting, mining and ore processing project	44,043,049.35	-	44,043,049.35	45,240,110.86	-	45,240,110.86
Final stages of mining extension	66,732,130.26	-	66,732,130.26	64,246,416.65	-	64,246,416.65
Resource exploration project	29,319,853.17	-	29,319,853.17	28,989,771.71	-	28,989,771.71
Other constructions in progress for production	114,099,080.38	-	114,099,080.38	88,152,608.88	-	88,152,608.88
<b>Xinjiang Yakes</b>						
Huangshanxi mining and ore processing project	768,665,444.96	-	768,665,444.96	753,513,158.89	-	753,513,158.89
Huangshandong #17 mine construction project	445,701.75	-	445,701.75	-	-	-
Other projects	626,759.43	-	626,759.43	626,759.43	-	626,759.43
<b>Hami Jubao</b>						
Huangshandong #12 mine project	28,451,313.30	-	28,451,313.30	28,001,313.30	-	28,001,313.30
<b>Zhongxin Mining</b>						
Other projects	281,132.08	-	281,132.08	-	-	-
<b>Shaanxi Xinxin</b>						
Other projects	2,034,073.00	-	2,034,073.00	2,034,073.00	-	2,034,073.00
<b>Beijing Xinding</b>						
Construction projects of the base for research and ware housing	176,655,872.61	-	176,655,872.61	175,908,572.35	-	175,908,572.35
Sub-total of subsidiaries	1,231,354,410.29	-	1,231,354,410.29	1,186,712,785.07	-	1,186,712,785.07
Total	1,296,521,516.10	-	1,296,521,516.10	1,244,796,558.18	-	1,244,796,558.18



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (10) Construction in progress (continued)

#### (a) Construction in progress (continued)

(i) Significant changes to construction in progress

Project name	Budget	31 December 2017	Current year additions	Transfer to fixed assets (note 4(9))	30 June 2018	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in current year (note 4(37))	Capitalisation rate	Source of funds
The Company:										
<b>Fukang Refinery</b>										
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
Other projects	80,900,000.00	54,687,725.00	7,083,332.70	-	61,771,057.70	36.74%	-	-	-	Self-funding
Sub-total of the Company	90,900,000.00	58,083,773.11	7,083,332.70	-	65,167,105.81	-	-	-	-	-
Subsidiaries:										
<b>Kalatongke Mining</b>										
Nickel smelting, mining and ore processing project	58,144,000.00	45,240,110.86	388,524.08	(1,128,855.91)	44,499,779.03	86.10%	3,654,986.91	-	-	Self-funding/loans/ government grants
Final stages of mining extension	194,650,000.00	64,246,416.65	2,028,983.93	-	66,275,400.58	34.05%	-	-	-	Self-funding
Resource exploration project	74,710,806.00	28,989,771.71	330,081.46	-	29,319,853.17	95.76%	-	-	-	Self-funding/ government grants
Fugitive gas desulphurization project	80,000,000.00	-	20,896,099.50	-	20,896,099.50	26.12%	-	-	-	Self-funding
Other constructions in progress for production	142,846,239.00	88,152,608.88	5,050,372.00	-	114,099,080.38	82.69%	-	-	-	Self-funding
<b>Xinjiang Yakes</b>										
Huangshanxi mining and ore processing project	1,531,259,700.00	753,513,158.89	15,152,286.07	-	768,665,444.96	92.43%	157,218,931.62	4,666,789.34	4.63%	Self-funding/loans/ government grants
Huangshandong #17 mine construction project	146,000,000.00	-	445,701.75	-	445,701.75	98.56%	-	-	-	Self-funding
Other projects	800,000.00	626,759.43	-	-	626,759.43	78.34%	-	-	-	Self-funding
<b>Hami Jubao</b>										
Huangshandong #12 mine project	177,312,100.00	28,001,313.30	450,000.00	-	28,451,313.30	52.25%	-	-	-	Self-funding
Zhongxin Mining	10,000,000.00	-	281,132.08	-	281,132.08	82.71%	-	-	-	Self-funding/ government grants
Shaanxi Xinxin										
Other projects	10,000,000.00	2,034,073.00	-	-	2,034,073.00	20.34%	-	-	-	Self-funding
<b>Beijing Xinding</b>										
Construction projects of the base for research and ware housing	178,000,000.00	175,908,572.35	747,300.26	-	176,655,872.61	99.24%	1,270,438.36	-	-	Self-funding
Sub-total of subsidiaries	2,716,422,845.00	1,186,712,785.07	45,770,481.13	(1,128,855.91)	1,231,354,410.29	-	162,144,356.89	4,666,789.34	-	-
Total	2,807,322,845.00	1,244,796,558.18	52,853,813.83	(1,128,855.91)	1,296,521,516.10	-	162,144,356.89	4,666,789.34	-	-

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For the six months ended 30 June 2018  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (10) Construction in progress (continued)

#### (b) Construction materials

	30 June 2018	31 December 2017
Construction materials	<b>640,599.82</b>	643,582.37

### (11) Intangible assets

	Mining rights	Exploration rights	Land use rights	Others	Total
<b>Cost</b>					
31 December 2017	699,654,158.24	208,153,000.00	221,641,470.12	2,171,054.06	1,131,619,682.42
Additions – Purchase	–	–	–	5,000.00	5,000.00
<b>30 June 2018</b>	<b>699,654,158.24</b>	<b>208,153,000.00</b>	<b>221,641,470.12</b>	<b>2,176,054.06</b>	<b>1,131,624,682.42</b>
<b>Accumulated amortisation</b>					
31 December 2017	144,851,880.13	–	40,519,717.63	1,549,339.26	186,920,937.02
Additions – Accrument	8,805,518.18	–	1,665,243.10	93,037.84	10,563,799.12
<b>30 June 2018</b>	<b>153,657,398.31</b>	<b>–</b>	<b>42,184,960.73</b>	<b>1,642,377.10</b>	<b>197,484,736.14</b>
<b>Net book value</b>					
<b>30 June 2018</b>	<b>545,996,759.93</b>	<b>208,153,000.00</b>	<b>179,456,509.39</b>	<b>533,676.96</b>	<b>934,139,946.28</b>
31 December 2017	554,802,278.11	208,153,000.00	181,121,752.49	621,714.80	944,698,745.40

For the six months ended 30 June 2018, amortisation expense of intangible assets amounted to RMB10,563,799.12 (For the six months ended 30 June 2017: RMB9,064,199.68).

The exploration rights were acquired through the acquisition of Shaanxi Xinxin by the Group in 2011. As at 30 June 2018, the certificate of the exploration has expired. The group still applies for the extension of the validity period of the exploration rights, the application was in the process of approving.

As at 30 June 2018 and 31 December 2017, there was no impairment on intangible assets provided.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (12) Goodwill

	30 June 2018	31 December 2017
The acquisition of Zhongxin Mining	17,844,894.10	17,844,894.10
The acquisition of Xinjiang Yakesi and Hami Jubao	9,987,911.01	9,987,911.01
The acquisition of Shaanxi Xinxin	254,745.09	254,745.09
	<b>28,087,550.20</b>	28,087,550.20

As at 30 June 2018 and 31 December 2017, the Group assessed impairment of goodwill (note 2(30)(b)) according to the accounting policy of note 2(19). Based on the result of assessment, the Group did not make impairment provision on goodwill.

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 three 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 consistent with 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)

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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (13) Other non-current assets

	30 June 2018	31 December 2017
Prepaid utilities (a)	<b>12,300,000.00</b>	15,800,000.00

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

### (14) Provision for asset impairment

	31 December 2017	Current period additions (note 4(38))	Current year reductions Reversal Sold/written off (note 4(38))	30 June 2018
Provision for bad debts	11,679,241.39	-	-	<b>11,679,241.39</b>
Including: Accounts receivable	3,770,794.98	-	-	<b>3,770,794.98</b>
Other receivables	7,908,446.41	-	-	<b>7,908,446.41</b>
Provision for decline in value of inventories	7,806,388.63	265,291.93	(409,354.16)	<b>7,662,326.40</b>
	19,485,630.02	265,291.93	(409,354.16)	<b>19,341,567.79</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (15) Notes payable & Accounts payable

	<b>30 June 2018</b>	31 December 2017
Notes payable (a)	<b>180,000,000.00</b>	278,400,000.00
Accounts payable (b)	<b>267,843,798.81</b>	271,749,952.15
	<b>447,843,798.81</b>	550,149,952.15

#### (a) Notes payable

	<b>30 June 2018</b>	31 December 2017
Bank acceptance notes	<b>80,000,000.00</b>	178,400,000.00
Letter of credit payables	<b>100,000,000.00</b>	100,000,000.00
	<b>180,000,000.00</b>	278,400,000.00

As at 30 June 2018 and 31 December 2017, all notes payable were due within 180 days, letter of credit payables were due within 360 days.

#### (b) Accounts payable

	<b>30 June 2018</b>	31 December 2017
Payable for purchase of materials	<b>198,201,001.35</b>	198,824,430.73
Payable for purchase of services	<b>62,149,022.84</b>	57,239,965.56
Payable for transportation fees	<b>5,893,781.76</b>	13,774,291.04
Others	<b>1,599,992.86</b>	1,911,264.82
	<b>267,843,798.81</b>	271,749,952.15

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
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## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (15) Notes payable & Accounts payable (continued)

(b) Accounts payable (continued)

- (i) As at 30 June 2018, accounts payable over one year with carrying amount of RMB16,406,499.71 (31 December 2017: RMB33,361,669.39) were mainly payables for purchase of materials.
- (ii) The ageing of accounts payable based on their recording dates was analysed as follows:

	31 December 2017	31 December 2017
Within 3 months	168,630,336.52	186,303,440.26
3 to 6 months	37,625,515.41	33,854,955.28
Over 6 months	61,587,946.88	51,591,556.61
	267,843,798.81	271,749,952.15

### (16) Contract liabilities

	31 December 2018	31 December 2017
Advances from customer	33,601,624.95	–

On 1 January 2018, The balance of the group's contract liabilities was RMB 26,494,587.46, of which RMB 23,733,908.71 has been recognized as revenue in 2018.

# 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)

### (17) Employee benefits payable

	30 June 2018	31 December 2017
Short-term employee benefits payable (a)	<b>59,314,873.75</b>	62,405,881.61
Defined contribution plans payable (b)	<b>1,492,069.22</b>	2,038,482.87
	<b>60,806,942.97</b>	64,444,364.48

#### (a) Short-term employee benefit payable

	31 December 2017	Current period additions	Current period payments	30 June 2018
Salaries, bonuses, allowances and subsidies	47,254,149.02	92,147,568.96	(96,016,382.25)	<b>43,385,335.73</b>
Staff welfare	-	-		-
Social insurances	1,537,882.23	7,705,456.54	(7,708,249.23)	<b>1,535,089.54</b>
Including: Medical insurance	1,044,805.60	5,542,992.78	(5,548,886.94)	<b>1,038,911.44</b>
Work injury insurance	418,393.89	1,454,731.33	(1,458,089.77)	<b>415,035.45</b>
Maternity insurance	69,357.24	384,391.09	(380,429.10)	<b>73,319.23</b>
Illness insurance	5,325.50	323,341.34	(320,843.42)	<b>7,823.42</b>
Housing funds	2,031,109.51	8,030,147.00	(7,977,374.00)	<b>2,083,882.51</b>
Labor union fund and employee education fund	11,576,803.35	2,466,991.64	(2,002,674.25)	<b>12,041,120.74</b>
Others	5,937.50	1,442,701.38	(1,179,193.65)	<b>269,445.23</b>
	62,405,881.61	111,792,865.52	(114,883,873.38)	<b>59,314,873.75</b>

#### (b) Defined contribution plans payable

	31 December 2017	Current period additions	Current period payments	30 June 2018
Pension insurance	1,997,218.26	12,942,719.41	(13,488,840.94)	<b>1,451,096.73</b>
Unemployment insurance	41,264.61	363,068.16	(363,360.28)	<b>40,972.49</b>
	2,038,482.87	13,305,787.57	(13,852,201.22)	<b>1,492,069.22</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (18) Taxes payable

	30 June 2018	31 December 2017
Value added tax payable	13,636,702.67	12,655,700.22
Resource tax	3,155,188.28	3,311,800.66
Resource compensation fee	1,522,342.74	1,522,342.74
Stamp duty	204,219.60	735,614.60
Educational surcharge payable	657,363.30	340,527.95
Urban construction tax payable	501,541.25	277,231.50
Individual income tax	353,258.94	211,947.29
Income tax payable	11,700.65	–
Others	109,189.05	294,898.08
	<b>20,151,506.48</b>	19,350,063.04

### (19) Other payables

	30 June 2018	31 December 2017
Payables for construction projects	83,067,921.10	103,214,130.22
Payables due to related parties (note 8(6)(e))	43,912,526.35	58,759,869.82
Interest of bond payable	32,788,888.87	6,788,888.89
Payables for purchase of equipments	20,594,897.54	24,442,920.47
Deposit for quality guarantee	9,994,669.04	5,048,374.05
Payable for sewage charges	2,933,283.00	3,644,703.00
Interest on long-term loans due in installments	1,848,226.08	–
Payable for professional service	771,036.60	3,407,119.33
Interest of short term borrowings	454,406.56	1,503,102.62
Others	17,538,358.33	15,663,467.25
	<b>213,904,213.47</b>	222,472,575.65

- (a) As at 30 June 2018, other payables over 1 year with carrying amount of RMB68,176,558.88 (31 December 2017: RMB71,247,587.48) 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 ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (20) Provisions

	31 December 2017	Current year additions (note 4(37))	Current year decrease (note 4(44))	30 June 2018
Provision for close down, restoration and environmental costs	8,652,761.68	209,457.49	–	<b>8,862,219.17</b>

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.

### (21) Current portion of non-current liabilities

	30 June 2018	31 December 2017
Current portion of bond payable (a)	<b>800,000,000.00</b>	800,000,000.00
Current portion of long-term borrowings (note 4(22) (a))	<b>55,000,000.00</b>	40,000,000.00
Current portion of other non-current liabilities (note 4(26))	<b>502,709,380.00</b>	–
	<b>1,357,709,380.00</b>	840,000,000.00

- (a) On November 12, 2015, the company issued the first stage of the 2015 medium-term paper, which uses simple annual interest rates, fixed annual rate of 6.5%, the annual coupon.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (22) Borrowings

#### (a) Long-term borrowings

	31 December 2017	31 December 2017
Unsecured loans	654,000,000.00	75,000,000.00
Less: current portion of long-term borrowings (note 4(21))		
Unsecured loans	(55,000,000.00)	(40,000,000.00)
	<b>599,000,000.00</b>	35,000,000.00

As at 30 June 2018, the interests are paid on a quarterly basis and the interest rates of long-term borrowings were between 5.15% and 5.50% annually (31 December 2017: between 5.15% and 6.50%).

#### (b) Short-term borrowings

	30 June 2018	31 December 2017
Unsecured loans	840,000,000.00	770,000,000.00

### (23) Long-term due payment

	31 December 2017	Current year additions	Current year reductions	30 June 2018
Water/power/air supply and property management	13,193,941.11	-	-	<b>13,193,941.11</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (24) Deferred income

	31 December 2017	Current year additions	Current year reductions	<b>30 June 2018</b>	Causes	
Government grants	33,078,429.71	480,000.00	(1,092,963.48)	<b>32,465,466.23</b>	Encourage enterprises development	
Government grants items	31 December 2017	Current year additions	Credited into other income (note 4(39))	Credited into non-operating income	<b>30 June 2018</b>	Related to assets/ related to income
The Company:						
- Water resource utilisation project	657,335.13	-	(27,999.51)	-	<b>629,335.62</b>	Related to assets
- Project on concentration of reducing sodium	7,114.87	-	(2,666.49)	-	<b>4,448.38</b>	Related to assets
- Special funds for energy conservation and emissions reduction	1,000,000.00	-	-	-	<b>1,000,000.00</b>	Related to assets
Sub-total of the Company	1,664,450.00	-	(30,666.00)	-	<b>1,633,784.00</b>	
Sub-total of the Company:						
- Project on energy saving	3,911,111.10	-	(369,166.68)	-	<b>3,541,944.42</b>	Related to assets
- Project on use of well water	1,620,000.00	-	(135,000.00)	-	<b>1,485,000.00</b>	Related to assets
- Project on exploration of No. 2 mine in Kalatongke Mining	6,829,333.66	-	(131,333.28)	-	<b>6,698,000.38</b>	Related to assets

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (24) Deferred income (continued)

Government grants items	31 December 2017	Current year additions	Credited into other income (note 4(39))	Credited into non-operating income	30 June 2018	Related to assets/ related to income
- Project on technology improvement of nickel smelting	1,195,833.46	-	(87,499.98)	-	<b>1,108,333.48</b>	Related to assets
- General improvement project	960,000.12	-	(79,999.98)	-	<b>880,000.14</b>	Related to assets
- Subsidies for clean energy	1,188,000.00	-	(72,000.00)	-	<b>1,116,000.00</b>	Related to assets
- Project on technology improvement	1,131,111.28	-	(26,666.64)	-	<b>1,104,444.64</b>	Related to assets
- Online monitoring of pollution sources	240,000.12	-	(19,999.98)	-	<b>220,000.14</b>	Related to assets
- Project on recovery of No. 1 mine residual ore	-	-	-	-	-	Related to assets
- Land use right	8,286,224.20	-	-	(104,888.94)	<b>8,181,335.26</b>	Related to assets
- Gas device for composite desulfurization	2,500,000.00	-	-	-	<b>2,500,000.00</b>	Related to assets
- Department of finance seedling special funds	800,000.00	-	-	-	<b>800,000.00</b>	Related to assets
- Final stages of mining extension	1,100,000.00	-	-	-	<b>1,100,000.00</b>	Related to assets
- Others	1,652,365.77	480,000.00	(35,742.00)	-	<b>2,096,623.77</b>	Related to assets/ income
Sub-total of Subsidiaries	31,413,979.71	480,000.00	(957,408.54)	(104,888.94)	<b>30,831,682.23</b>	
Total	33,078,429.71	480,000.00	(988,074.54)	(104,888.94)	<b>32,465,466.23</b>	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (24) 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:

<b>Government grants</b>	<b>Nature</b>	<b>Amount</b>	<b>Presentation items</b>
– Land use right	recognised in profit or loss	104,888.94	Non-operating income
– Project on energy saving	recognised in profit or loss	369,166.68	Other income
– Project on use of well water	recognised in profit or loss	135,000.00	Other income
– Project on exploration of No.2 mine in Kalatongke Mining	recognised in profit or loss	131,333.28	Other income
– Project on technology improvement of nickel smelting	recognised in profit or loss	87,499.98	Other income
– General improvement project	recognised in profit or loss	79,999.98	Other income
– Subsidies for clean energy	recognised in profit or loss	72,000.00	Other income
– Water resource utilisation project	recognised in profit or loss	27,999.51	Other income
– Project on technology improvement	recognised in profit or loss	26,666.64	Other income
– Online monitoring of pollution sources	recognised in profit or loss	19,999.98	Other income
– Project on concentration of reducing sodium	recognised in profit or loss	2,666.49	Other income
– Others	recognised in profit or loss	35,742.00	Other income
		1,092,963.48	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (25) Deferred tax assets and deferred tax liabilities

#### (a) Deferred tax assets before offsetting

	30 June 2018		31 December 2017	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Unrealised profits	35,864,663.41	6,338,233.92	30,451,553.29	5,304,615.85
Deductible losses	660,301,191.76	109,044,704.18	748,835,335.89	122,831,406.85
Government grants	32,465,466.23	5,804,147.54	33,022,983.88	5,900,870.00
Assets impairment	19,341,567.79	2,932,751.02	19,485,630.02	2,968,766.58
Changes in fair value gains and losses	–	–	2,037,285.36	305,592.80
Others	2,483,970.58	620,992.65	2,483,970.58	620,992.65
	<b>750,456,859.77</b>	<b>124,740,829.31</b>	836,316,759.02	137,932,244.73
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		31,967,123.89		31,275,114.65
Deferred tax asset to be recovered after 1 year		92,773,705.42		106,657,130.08
		<b>124,740,829.31</b>		137,932,244.73

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (25) Deferred tax assets and deferred tax liabilities (continued)

#### (b) Deferred tax liabilities before offsetting

	30 June 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combination involving entities not under common control (i)	559,433,818.72	139,858,454.68	579,523,081.53	140,425,474.03
Unrealised losses	–	–	66,438,331.86	9,965,749.78
Depreciation	21,391,466.93	3,208,720.04	21,391,466.94	3,208,720.04
	<b>580,825,285.65</b>	<b>143,067,174.72</b>	667,352,880.33	153,599,943.85
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		1,134,038.72		11,099,788.50
Deferred tax asset to be recovered after 1 year		141,933,136.00		142,500,155.35
		<b>143,067,174.72</b>		153,599,943.85

(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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (25) Deferred tax assets and deferred tax liabilities (continued)

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

	30 June 2018	31 December 2017
Deductible losses	123,971,918.26	119,436,396.18
Deductible temporary differences	11,832,299.95	4,673,437.44
	<b>135,804,218.21</b>	124,109,833.62

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

	30 June 2018	31 December 2017
2018	2,096,732.11	2,096,732.11
2019	27,930,955.34	27,930,955.34
2020	25,451,347.97	25,451,347.97
2021	44,154,202.47	44,154,202.47
2022	19,803,158.29	19,803,158.29
2023	4,535,522.08	-
	<b>123,971,918.26</b>	119,436,396.18

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

	30 June 2018		31 December 2017	
	Setoff amount	Balances after offsetting	Setoff amount	Balances after offsetting
Deferred tax assets	-	124,740,829.31	5,304,615.85	132,627,628.88
Deferred tax liabilities	-	143,067,174.72	5,304,615.85	148,295,328.00



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (26) Other non-current liabilities

	30 June 2018	31 December 2017
Gold lease and related future contracts	–	502,709,380.00

In 2016, the Company, Kalatongke Mining and Xinjiang Yakesi signed gold lease contracts with banks to obtain long-term financing. On June 30, 2018, the gold lease expires within 1 years and we transfer it to a non-current liability that expires in one year. (31 December 2017: 502,709,380.00)

### (27) Share capital

	30 June 2018		31 December 2017	
	Number of shares	% of issued capital	Number of shares	% of issued capital
Domestic shares	1,451,000,000	65.66%	1,451,000,000	65.66%
H share holders	759,000,000	34.34%	759,000,000	34.34%
	<b>2,210,000,000</b>	<b>100.00%</b>	2,210,000,000	100.00%

The per value of each share is 0.25, and the total share capital is 552,500,000.00 (note 1).

There was no movement of share capital of the Company in the six months ended 30 June 2018.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (28) Capital surplus

	31 December 2017	Current year additions	Current year deductions	30 June 2018
Contribution from Parent Company related to mining right (Note (1))	35,393,957.53	-	-	<b>35,393,957.53</b>
Share Premium (Note (2))	4,219,360,899.96	-	-	<b>4,219,360,899.96</b>
Other capital surplus – Others (Note (3))	3,815,140.27	-	-	<b>3,815,140.27</b>
	4,258,569,997.76	-	-	<b>4,258,569,997.76</b>

	31 December 2016	Current year additions	Current year deductions	31 December 2017
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))	8,836,858.95	-	(5,021,718.68)	3,815,140.27
	4,263,591,716.44	-	(5,021,718.68)	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)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (29) Specific reserve

	31 December 2017	Current year additions	Current year reductions	30 June 2018
Safety fund (Note)	232,071.41	15,541,335.86	(9,343,174.30)	<b>6,430,232.97</b>
	31 December 2016	Current year additions	Current year deductions	30 June 2017
Safety fund (Note)	1,543,421.85	15,289,849.03	(14,506,451.30)	2,326,819.58

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 RMB10 (2016: RMB10) per ton of raw ore mined; and 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 RMB9,343,174.30 were used for safety related projects for the six months ended 30 June 2018 (for the six months ended 30 June 2017: RMB14,506,451.30).

### (30) Surplus reserve

	31 December 2017	Current year additions	Current year reductions	30 June 2018
Statutory reserve	249,625,789.74	-	-	<b>249,625,789.74</b>
	31 December 2016	Current year additions	Current year deductions	30 June 2017
Statutory reserve	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 2018 due to the Company made net losses this year (For the six months ended 30 June 2017: Nil).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (31) Accumulated losses

	Six months ended 30 June 2018	Six months ended 30 June 2017
Accumulated losses at the beginning of the year	(772,972,140.31)	(691,384,794.32)
Add: Net loss attributable to the shareholders of the Company for the year	8,731,276.99	(64,642,037.39)
Less: Appropriation for statutory reserve	-	-
Accumulated losses at the end of the year	<b>(764,240,863.32)</b>	(756,026,831.71)

Pursuant to the resolution of board meeting on August 24, 2018, the Company proposed no payment of final dividend for year ended 31 December 2017.

### (32) Revenue and cost of sales

	Six months ended 30 June 2018	Six months ended 30 June 2017
Revenue from main operation	859,885,246.64	434,754,234.54
Revenue from other operation	6,176,114.41	7,601,582.99
	<b>866,061,361.05</b>	442,355,817.53
	Six months ended 30 June 2018	Six months ended 30 June 2017
Cost of sales from main operation	698,464,922.33	378,736,961.78
Cost of sales from other operation	1,754,912.34	1,731,237.58
	<b>700,219,834.67</b>	380,468,199.36

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (32) 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 2018		Six months ended 30 June 2017	
	Revenue from main operation	Cost of sales from main operation	Revenue from main operation	Cost of sales from main operation
Nickel cathode	676,463,384.98	557,758,751.05	237,528,012.86	236,871,873.13
Copper cathode	116,968,631.43	99,583,339.31	129,304,796.52	94,848,109.52
Others	66,453,230.23	41,122,831.97	67,921,425.16	47,016,979.13
	<b>859,885,246.64</b>	<b>698,464,922.33</b>	434,754,234.54	378,736,961.78

#### (b) Revenue and cost of sales from other operation

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of sales from other operation
Sales of electricity	1,134,364.30	1,283,191.33	1,407,936.10	1,371,487.84
Scrap sales	3,423,996.89	–	4,846,244.27	–
Sales of materials	279,305.74	238,378.76	260,794.79	177,674.84
Others	1,338,447.48	233,342.25	1,086,607.83	182,074.90
	<b>6,176,114.41</b>	<b>1,754,912.34</b>	7,601,582.99	1,731,237.58

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (33) 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 2018	Six months ended 30 June 2017
Raw materials and consumables used	<b>297,601,676.92</b>	236,054,642.10
Other overhead	<b>14,055,500.87</b>	13,378,177.58
Employee benefits (note 4(17))	<b>125,098,653.09</b>	123,375,838.42
Depreciation (note 4(9))	<b>102,796,574.51</b>	98,007,027.27
Transportation fee	<b>17,408,966.23</b>	10,856,649.43
Reversal of inventory provision due to sales (note 4(6)(c))	<b>(409,354.16)</b>	(9,066,660.32)
Electricity costs	<b>53,074,415.12</b>	53,086,443.44
External labor costs	<b>87,264,836.78</b>	87,842,932.84
Taxation	<b>10,008,739.37</b>	7,940,541.77
Safety fund (note 4(29))	<b>15,541,335.86</b>	15,289,849.03
Amortisation of intangible assets	<b>10,518,453.46</b>	9,064,199.68
Office expenses	<b>1,456,779.90</b>	1,072,367.83
Sewage charge (note 4(36))	-	4,300,066.00
Comprehensive support service charge (note 4(36))	<b>1,660,377.34</b>	1,660,377.34
Operating leases expenses	<b>1,385,525.82</b>	578,437.34
Changes in inventories of work in progress, semi- finished goods and finished goods (note 4(6)(b))	<b>28,617,629.65</b>	(216,455,174.80)
Others	<b>3,183,735.08</b>	4,249,096.62
	<b>769,263,845.84</b>	441,234,811.57

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (34) Taxes and surcharges

	Six months ended 30 June 2018	Six months ended 30 June 2017	Tax base
Property tax	4,361,440.10	3,976,505.05	note3
Resource tax	6,280,416.91	3,369,931.88	note3
Education surcharge	3,082,660.74	1,956,528.22	note3
Urban construction tax	2,400,983.50	1,783,953.34	note3
Others	2,716,370.21	2,390,290.47	
	<b>18,841,871.46</b>	13,477,208.96	

### (35) Selling and administration expenses

	Six months ended 30 June 2018	Six months ended 30 June 2017
Transportation fee	17,408,966.23	10,856,649.43
Employee benefits	1,199,634.43	951,778.55
Depreciation	76,164.59	72,126.47
Travel and administrative expense	45,156.80	41,904.16
Others	839,010.83	328,411.55
	<b>19,568,932.88</b>	12,250,870.16

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (36) General and administrative expenses

	Six months ended 30 June 2018	Six months ended 30 June 2017
Employee benefits	27,860,985.92	26,756,654.36
Depreciation and amortisation	8,826,902.53	8,193,313.50
Sewage charge	–	4,300,066.00
Professional services fee	635,301.15	1,515,131.98
Office expense	1,411,623.10	1,030,463.67
Comprehensive support service charge	1,660,377.34	1,660,377.34
Operating leases expenses	1,385,525.82	578,437.34
Others	7,694,362.43	4,481,297.86
	<b>49,475,078.29</b>	48,515,742.05

### (37) Financial expenses – net

	Six months ended 30 June 2018	Six months ended 30 June 2017
Interest expense	68,485,713.43	74,215,256.20
Less: Capitalised interest expenses (note 4(10)(a))	(4,666,789.34)	(10,146,440.39)
Interest expenses	63,818,924.09	64,068,815.81
Less: Interest income	(1,048,717.91)	(5,544,572.62)
Bank charges	3,997,640.31	1,477,816.35
Unwinding of discount – net (note 4(20))(23))	209,457.49	199,672.49
	<b>66,977,303.98</b>	60,201,732.03



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (38) Assets impairment losses (note 4(14))

	Six months ended 30 June 2018	Six months ended 30 June 2017
Provision for decline in value of inventories	<b>265,291.93</b>	7,058,741.05
Provision for bad debts for accounts receivable and other receivables	–	3,755.90
	<b>265,291.93</b>	7,062,496.95

### (39) Other income

	Six months ended 30 June 2018	Six months ended 30 June 2017	Asset related/ Income related
Energy conservation and emission reduction subsidy	<b>369,166.68</b>	369,166.68	Asset related
Special funds for technological transformation	<b>79,999.98</b>	73,333.32	Asset related
Others	<b>538,907.880</b>	521,123.52	Asset related
Subtotal	<b>988,074.54</b>	963,623.52	
2017 Special Fund for Safe production prevention and emergency	<b>2,000,000.00</b>	–	Income related
Others	<b>131,126.93</b>	–	Income related
Sub-total	<b>2,131,126.93</b>	–	
Total	<b>3,119,201.47</b>	963,623.52	

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (40) Investment income/(Loss)

	Six months ended 30 June 2018	Six months ended 30 June 2017
Net profit/(loss) from a joint-venture under equity method ( <i>note 4(8)</i> )	1,400,167.49	(4,032,994.86)
Unrealised net profit between the joint-venture and the Group	(7,158,862.52)	(200,761.36)
Investment income from disposal of available-for-sale financial assets	4,711,208.36	6,879,655.19
	<b>(1,047,486.67)</b>	2,645,898.97

There is no significant restriction on recovery of investment income.

### (41) Losses on the changes in fair value

	Six months ended 30 June 2018	Six months ended 30 June 2017
Losses on changes in fair value of gold lease and related future contracts	895,135.66	-

### (42) Gains on disposals of assets

	Six months ended 30 June 2018	Six months ended 30 June 2017	Amount recognised in non-Recurring profit and loss for six months ended 30 June 2018
Gains on disposals of fixed assets	10,000.00	89,485.96	10,000.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (43) Non-operating income

	Six months ended 30 June 2018	Six months ended 30 June 2017	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2018
Government grants (a)	<b>104,888.94</b>	104,888.94	104,888.94
Others	<b>448,811.96</b>	768,558.66	448,811.96
	<b>553,700.90</b>	873,447.60	553,700.90

(a) Details of government grants

	Six months ended 30 June 2018	Six months ended 30 June 2017	Asset related/ Income related
Land compensation	<b>104,888.94</b>	104,888.94	Asset related
Total	<b>104,888.94</b>	104,888.94	

### (44) Non-operating expenses

	Six months ended 30 June 2018	Six months ended 30 June 2017	Amount recognised in non-recurring profit or loss for the six months ended 30 June 2018
Losses on scrap of fixed assets	<b>8,110.25</b>	–	8,110.25
Penalties and fines	<b>380,000.00</b>	699,340.82	380,000.00
Donations	–	695,000.06	–
Others	<b>39,874.09</b>	279,420.04	39,874.09
	<b>427,984.34</b>	1,673,760.92	427,984.34

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (45) Income tax expenses

	Six months ended 30 June 2018	Six months ended 30 June 2017
Current income tax	554,163.74	19,092.96
Deferred income tax	2,658,646.29	(12,222,530.55)
	<b>3,212,810.03</b>	(12,203,437.59)

The reconciliation from income tax calculated based on the applicable tax rates and total profit/(loss) presented in the consolidated financial statements to the income tax expenses was listed below:

	Six months ended 30 June 2018	Six months ended 30 June 2017
Consolidated total profit/(loss)	12,025,343.54	(76,721,736.85)
Income tax expenses calculated at applicable tax rate of 25%	3,006,335.89	(19,180,434.21)
Effect of tax reductions	(1,394,288.96)	4,473,662.00
Effect of changes in tax rates	-	1,535,163.37
Costs, expenses and losses not to be deducted	140,204.37	141,898.26
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	1,133,880.52	826,272.99
Clearance differences in respect of prior years	326,678.21	-
	<b>3,212,810.03</b>	(12,203,437.59)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (46) Profit/(Loss) per share

#### (a) Basic loss per share

Basic loss per share is calculated by dividing consolidated net profit/(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 2018	Six months ended 30 June 2017
Consolidated net profit/(loss) attributable to shareholders of the Company	8,731,276.99	(64,642,037.39)
Weighted average number of ordinary shares in issue of the Company	2,210,000,000.00	2,210,000,000.00
Basic profit/(loss) per share	0.004	(0.029)
Including		
– basic profit/(loss) per share under going concern	0.004	(0.029)
– basic loss per share under discontinued operation	–	–

#### (b) Diluted profit/(loss) per share

Diluted loss per share is calculated by dividing net loss 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 2018 (For the six months ended 30 June 2017: Nil), diluted profit/(loss) per share equal to basic profit/(loss) per share.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (47) Notes to consolidated cash flow statements

#### (a) Cash received relating to other operating activities

	Six months ended 30 June 2018	Six months ended 30 June 2017
Reduced of deposits in restricted banks	32,425,962.25	–
Government grants received	2,480,000.00	–
Interest income	1,048,717.91	5,544,572.62
Others	579,938.89	768,558.66
	<b>36,534,619.05</b>	6,313,131.28

#### (b) Cash paid relating to other operating activities

	Six months ended 30 June 2018	Six months ended 30 June 2017
Transportation expenses	17,408,966.23	26,708,836.48
Increased of deposits in restricted banks	–	16,797,120.05
Bank charges	3,997,640.31	1,477,816.35
Professional service fee	1,694,924.10	4,878,147.35
Office expenses	1,456,779.90	1,030,463.67
Comprehensive supporting services	1,613,207.52	1,660,377.34
Rental fees	1,385,525.82	578,437.34
Sewage charge	–	18,419.00
Donations	–	100,000.00
Others	5,417,335.39	9,241,121.60
	<b>32,974,379.27</b>	62,490,739.18

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (47) Notes to consolidated cash flow statements (continued)

#### (c) Cash received relating to other investing activities

	Six months ended 30 June 2018	Six months ended 30 June 2017
Cash repayments of loans from Hexin Mining	84,302,320.00	–

#### (d) Cash paid relating to other investing activities

	Six months ended 30 June 2018	Six months ended 30 June 2017
Loans provided to Hexin Mining	30,000,000.00	–

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (48) Supplementary information of consolidated cash flow statement

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

	Six months ended 30 June 2018	Six months ended 30 June 2017
Net loss	8,812,533.51	(64,518,299.26)
Adjustment: Provisions for asset impairment (note 4(38))	265,291.93	7,062,496.95
Losses on the changes in fair value of financial liabilities at fair value through profit or loss (note 4(41))	895,135.66	-
Depreciation of fixed assets (note 4(9))	102,796,574.51	98,007,027.27
Amortisation of intangible assets (note 4(11))	10,518,453.46	9,064,199.68
losses/(Gains) on disposal of fixed assets	(10,000.00)	(89,485.96)
Increase in deferred tax assets (note 4(25))	7,886,799.57	(12,933,451.67)
(Decrease)/increase in deferred tax liabilities (note 4(25))	(5,228,153.28)	710,921.12
Amortisation of deferred income (note 4(24))	(612,963.48)	(1,068,512.46)
Utilisation of safety fund-net (note 4(29))	6,207,561.47	783,486.01
Financial expenses (note 4(37))	64,028,381.58	64,268,488.30
Amortisation of long-term prepaid expenses	8,115.21	21,137.92
Investment (gains)/losses (note 4(40))	1,047,486.67	(2,645,898.97)
(Increase)/decrease in inventories	62,149,430.16	(191,931,252.28)
Decrease/(increase) in operating receivables	(62,429,318.38)	154,102,063.55
Increase/(decrease) in operating payables	(172,955,726.49)	26,083,050.08
(Increase)/decrease in restricted cash at banks	32,425,962.25	(16,797,120.05)
Net cash flows generated from operating activities	55,805,564.35	70,118,850.23



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### (48) Supplementary information of consolidated cash flow statement (continued)

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

*Movement of cash and cash equivalents*

	Six months ended 30 June 2018	Six months ended 30 June 2017
Cash and cash equivalents at end of year (b)	639,542,032.01	217,843,869.77
Less: cash and cash equivalents at beginning of year	(346,307,415.13)	(100,406,459.07)
Net increase in cash and cash equivalents	<b>293,234,616.88</b>	117,437,410.70

#### (b) Cash and cash equivalents

	30 June 2018	31 December 2017
Cash	639,542,032.01	346,307,415.13
Including: Cash on hand	15,835.39	23,357.99
Cash at bank	639,526,196.62	346,284,057.14
Cash and cash equivalents	<b>639,542,032.01</b>	346,307,415.13

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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	75%	25%	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 the six months ended 30 June 2018	Dividend declared/ allocated to non-controlling shareholders this period	Non-controlling interests 30 June 2018
Zhongxin Mining	2.42%	89,556.95	-	89,556.95
Shaanxi Xinxin	49.00%	(279,548.02)	-	(279,548.02)
Mengxi Mining	49.00%	76,967.65	-	76,967.65
		(113,023.42)	-	(113,023.42)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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 in 2017 was as follows:

Name of subsidiaries	30 June 2018					Total Liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Zhongxin Mining	199,718,550.09	198,258,135.98	397,976,686.07	461,263,624.49	16,202,962.05	477,466,586.54
Shaanxi Xinxin	218,094.42	210,191,068.56	210,409,162.98	14,575,617.98	48,788,250.00	63,363,867.98
Mengxi Mining	10,466,394.65	-	10,466,394.65	5,494,166.65	-	5,494,166.65

Name of subsidiaries	31 December 2017					Total Liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Zhongxin Mining	176,600,852.56	180,197,131.89	356,797,984.45	447,776,657.83	10,542,228.35	458,318,886.18
Shaanxi Xinxin	134,458.46	210,192,438.91	210,326,897.37	13,922,846.20	48,788,250.00	62,711,096.20
Mengxi Mining	10,318,077.11	-	10,318,077.11	5,502,925.94	-	5,502,925.94

Name of subsidiaries	Six months ended 30 June 2018			
	Revenue	Net (loss)/profit	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	242,320,022.66	(3,547,901.55)	(3,547,901.55)	-
Shaanxi Xinxin	-	570,506.17	570,506.17	(308,950.77)
Mengxi Mining	-	(157,076.83)	(157,076.83)	(27,815.50)

Name of subsidiaries	Six months ended 30 June 2017			
	Revenue	Net (loss)/profit	Total comprehensive (losses)/income	Operating cash flow
Zhongxin Mining	93,024,541.50	(17,471,481.93)	(17,471,481.93)	4,172,470.26
Shaanxi Xinxin	-	(746,001.96)	(746,001.96)	(1,060,245.44)
Mengxi Mining	-	171,836.61	171,836.61	(36,535.99)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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 2018	31 December 2017
Current assets	<b>59,000,028.02</b>	65,063,509.35
Including: cash and cash equivalents	<b>7,413,074.06</b>	3,759,604.64
Non-current assets	<b>414,607,378.49</b>	427,107,126.47
<b>Total assets</b>	<b>473,607,406.51</b>	492,170,635.82
Current liabilities	<b>(265,203,186.33)</b>	(283,152,892.66)
Non-current liabilities	–	–
<b>Total liabilities</b>	<b>(265,203,186.33)</b>	(283,152,892.66)
<b>Owners' equity</b>	<b>208,404,220.18</b>	209,017,743.16
Share of net assets (i)	<b>105,909,039.06</b>	104,508,871.58
Adjustments		
– Goodwill	<b>44,668,386.35</b>	44,668,386.35
– Offset of unrealised losses	<b>(11,832,299.95)</b>	(4,673,437.44)
Book value of the investment of joint venture	<b>138,745,125.46</b>	144,503,820.49
Fair value of the joint venture in open market	<b>Not applicable</b>	Not applicable

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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)

	Six months ended 30 June 2018	Six months ended 30 June 2017
Revenue	<b>71,820,807.07</b>	24,956,319.41
Finance Expense	<b>(4,091,177.36)</b>	(4,227,897.05)
Income Tax	–	–
Net loss	<b>2,800,334.97</b>	(8,065,989.72)
Other comprehensive income	–	–
Total comprehensive losses	<b>2,800,334.97</b>	(8,065,989.72)
Dividends received from joint venture	–	–

- (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 each of the six months ended 30 June 2018 and 2017, 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 2018, revenue of top three customers of the Group accounted for 31%, 12% and 11% of the total revenue of the Group respectively (For the six months ended 30 June 2017: 51%, 13% and 4%).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(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(20), 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 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) Information of the parent company

#### (a) 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 2017	Current period additions	Current period reductions	30 June 2018
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 2018 % interests held and % voting rights	31 December 2017 % 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 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (4) Other related party information

<b>Name of related parties</b>	<b>Relationship with the Group</b>
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 Non-ferrous Industry Group Tianchi Mining Co., Ltd.	Associate of Xinjiang Non-ferrous Group
Xinjiang QianXin Mining Co., Ltd.	Associate of Xinjiang Non-ferrous Group
Hexin Mining	Joint venture
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 Non-ferrous Metals Company Hospital.	Fellow subsidiary
Xinjiang Wuxin Copper Co., Ltd.	Fellow subsidiary
Hami Jinhui Real Estate Development Co., Ltd	Fellow subsidiary

### (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 2018

(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 2018	Six months ended 30 June 2017
<b>Purchase of nickel concentrate</b>		
Hexin Mining	54,211,231.20	16,979,067.79
<b>Purchase of raw materials, consumables and equipment</b>		
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	31,208,511.69	41,711,402.18
Fukang Non-ferrous Development Co., Ltd.	240,950.85	957,763.43
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	453,082.10	688,865.59
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	–	232,273.49
Fukang Juxin Industrial and Trade Co., Ltd.	18,382.80	–
The Western Gold Hami Gold Mine Co., Ltd.	10,858.65	–
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,569,446.95	7,628.32
<b>Purchase of equipment parts</b>		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	594,550.00	229,330.75
<b>Purchase of raw coal</b>		
Fukang Non-ferrous Development Co., Ltd.	641,225.85	–
	<b>88,948,240.09</b>	<b>60,806,331.55</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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 2018	Six months ended 30 June 2017
<b>Construction services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	<b>15,315,994.60</b>	10,100,799.90
<b>Transportation services</b>		
Fukang Non-ferrous Development Co., Ltd.	<b>2,751,320.33</b>	2,317,783.29
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>1,205,479.52</b>	1,438,458.66
<b>Other services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>581,457.64</b>	1,446,196.73
Fukang Non-ferrous Property Management Co., Ltd.	<b>1,689.36</b>	4,335.99
Fukang Non-ferrous Development Co., Ltd.	<b>13,001.00</b>	233,249.15
<b>Comprehensive supporting services</b>		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>1,660,377.34</b>	1,660,377.34
<b>Provision of heat</b>		
Fukang Non-ferrous Development Co., Ltd.	<b>13,001.00</b>	11,505.31
	<b>21,542,320.79</b>	17,212,706.37

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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

	<b>Six months ended 30 June 2018</b>	Six months ended 30 June 2017
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	<b>9,471,860.47</b>	17,340,072.09
Fuyun Hengsheng Beryllium Industry Co., Ltd.	<b>9,980,462.97</b>	7,790,101.14
Xingjiang Wuxin Copper Co., Ltd.	<b>11,201,274.64</b>	4,330,962.81
Xinjiang Dongsanhuan Trading Co., Ltd.	<b>650,925.64</b>	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	–	123,241.87
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	<b>6,177.28</b>	3,743.24
The Western Gold Hami Gold Mine Co., Ltd.	<b>52,991.45</b>	–
	<b>31,363,692.45</b>	29,588,121.15

#### (e) Leases

As lessor:

Name of lessee	Type of rental assets	<b>Lease revenue recognized during six months ended 30 June 2018</b>	Lease revenue Recognized during six months ended 30 June 2017
Xinjiang Zhanxin Fire Insulation Materials Co., Ltd.	Land-use right	<b>21,510.00</b>	21,510.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (5) Related party transactions (continued)

#### (e) Leases (continued)

As lessee:

Name of lessee	Type of rental assets	Lease revenue recognized during six months ended 30 June 2018	Lease revenue Recognized during six months ended 30 June 2017
Xinjiang Non-ferrous Group	Building	<b>389,507.15</b>	389,507.15
Fukang Non-ferrous Development Co., Ltd.	Equipment	<b>17,142.86</b>	–
		<b>406,650.01</b>	389,507.15

#### (f) Guarantee

Name of Company	Amount of bank loans guaranteed	Starting date	Ending date	Fulfilled or not
Hexin Mining	36,500,000.00	12/12/2017	12/12/2020	No
Hexin Mining	27,500,000.00	01/12/2017	01/12/2020	No
Hexin Mining	15,500,000.00	01/04/2017	01/04/2020	No
Hexin Mining	15,000,000.00	27/10/2017	27/10/2020	No
Hexin Mining	10,000,000.00	30/09/2017	29/09/2020	No
Total	104,500,000.00			

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (5) Related party transactions (continued)

#### (g) Loans (provided to)/received from related parties

	Six months ended 30 June 2018	Six months ended 30 June 2017
Loans provided to Hexin Mining	(30,000,000.00)	(18,000,000.00)
Loans received from Hexin Mining	84,300,000.00	–

#### (h) Loans repaid to related parties

	Six months ended 30 June 2018	Six months ended 30 June 2017
Loans repaid to Xinjiang Non-ferrous Group	–	(130,000,000.00)

#### (i) Use of registered trademark

Pursuant to the trademark agreements with Xinjiang Non-ferrous Group, the Group has the right to use the registered trademark of “Bo Feng” at no cost from 1 September 2005 to 20 March 2019.

#### (j) Remuneration of key management

	Six months ended 30 June 2018	Six months ended 30 June 2017
Remuneration of key management	1,445,681.80	1,158,492.05

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (5) Related party transactions (continued)

#### (k) Benefits and interests of directors

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

Directors, supervisors and chief executive officer's emoluments for the year ended 30 June 2018 were as follows:

Name	Emoluments for providing services as directors			Emoluments for managing company or providing other services	Total
	Fee	Salary and allowance	Pension		
<b>Directors:</b>					
Shi Wenfeng	-	-	-	-	-
Zhou Chuanyou	-	-	-	-	-
Hu Chengye	-	-	-	-	-
Guo Quan	-	195,490.00	15,515.20	-	211,005.20
Zhang Guohua	-	-	-	-	-
Liu Jun	-	190,675.00	15,515.20	-	206,190.20
<b>Independent Directors:</b>					
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
<b>Supervisors:</b>					
Sun Baohui	-	-	-	-	-
Yao Wenyong	20,000.00	-	-	-	20,000.00
Chen Rong	-	-	-	-	-
Yu Wenjiang	-	125,398.00	15,515.20	-	140,913.20
Li Jiangping	-	99,880.00	15,357.60	-	115,237.60
Meng Guojun	20,000.00	-	-	-	20,000.00
<b>Senior management:</b>					
Lam Cheuk Fai	-	180,000.00	9,000.00	-	189,000.00
He Hongfeng	-	137,760.00	15,515.20	-	153,275.20
Zhang Junjie	-	137,760.00	15,515.20	-	153,275.20
Qi Xinhui	-	121,270.00	15,515.20	-	136,785.20
<b>Total</b>	<b>175,000.00</b>	<b>1,188,233.00</b>	<b>117,448.80</b>	<b>-</b>	<b>1,480,681.80</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (5) Related party transactions (continued)

#### (k) Benefits and interests of directors

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

Directors, supervisors and chief executive officer's emoluments for the year ended 30 June 2017 were as follows:

Name	Emoluments for providing services as directors			Emoluments for managing company or providing other services	Total
	Fee	Salary and allowance	Pension		
<b>Directors:</b>					
Shi Wenfeng	-	-	-	-	-
Lu Xiaoping	-	109,375.00	16,095.00	-	125,470.00
Guo Haitang	-	-	-	-	-
Zhou Chuanyou	-	-	-	-	-
Hu Chengye	-	-	-	-	-
Guo Quan	-	124,140.00	16,095.00	-	140,235.00
<b>Independent Directors:</b>					
Li Wing Sum, Steven	57,440.00	-	-	-	57,440.00
Chen Jianguo	35,000.00	-	-	-	35,000.00
Wang Lijin	35,000.00	-	-	-	35,000.00
<b>Supervisors:</b>					
Wang Haibang	-	87,660.00	16,095.00	-	103,755.00
Sun Baohui	-	-	-	-	-
Hu Zhijiang	6,666.64	-	-	-	6,666.64
Yao Wenyong	20,000.00	-	-	-	20,000.00
Zhang Xuehe	-	79,880.00	16,095.00	-	95,975.00
Chen Rong	-	-	-	-	-
Guo Zhonglin	-	-	-	-	-
<b>Senior management:</b>					
Lam Cheuk Fai	-	167,017.41	7,953.00	-	174,970.41
He Hongfeng	-	92,440.00	16,095.00	-	108,535.00
Zhang Junjie	-	92,440.00	16,095.00	-	108,535.00
Liu Jun	-	92,440.00	16,095.00	-	108,535.00
Sun Baohui	-	31,220.00	7,155.00	-	38,375.00
<b>Total</b>	<b>154,106.64</b>	<b>876,612.41</b>	<b>127,773.00</b>	<b>-</b>	<b>1,158,492.05</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### (5) Related party transactions (continued)

#### (k) Benefits and interests of directors

- (ii) For the six months ended 30 June 2018, there were no termination benefits for the directors (For the six months ended 30 June 2017: Nil).
- (iii) For the six months ended 30 June 2018, there were no consideration provided to third parties for making available directors' services (For the six months ended 30 June 2017: Nil).
- (iv) For the six months ended 31 June 2018, 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 the six months ended 30 June 2017: 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 during the six months ended 30 June 2018 (For the six months ended 30 June 2017: Nil).
- (vi) *The five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2018 included two directors (For the six months ended 30 June 2017: two directors) whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining three (For the six months ended 30 June 2017: three) individuals during the year were as follows:

	<b>Six months ended 30 June 2018</b>	Six months ended 30 June 2017
Basic salaries, bonus, housing allowance, other allowances in kind	<b>351,897.41</b>	392,040.41
Pension	<b>40,143.00</b>	–
	<b>392,040.41</b>	392,040.41
<b>Number of individuals</b>		
	<b>Six months ended 30 June 2018</b>	Six months ended 30 June 2017
Emolument bands: HKD0–1,000,000 (approximately RMB0–894,500)	<b>3</b>	3



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 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)(c))

	30 June 2018		31 December 2017	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xingjiang Wuxin Copper Co.,Ltd.	27,793,056.77	-	40,291,782.13	-
Fuyun Hengsheng Beryllium Industry Co.,Ltd.	4,442,774.51	(1,155,416.10)	1,282,671.10	(1,155,416.10)
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	(301,201.70)	301,201.70	(301,201.70)
Xinjiang Zhanxin Fire Insulation Materials Co.,Ltd.	197,502.80	-	197,502.80	-
The Western Gold Hami Gold Mine Co., Ltd.	62,000.00	-	-	-
Xinjiang Dongsanhuan Trading Co., Ltd.	609,724.03	-	-	-
	<b>33,406,259.81</b>	<b>(1,456,617.80)</b>	42,073,157.73	(1,456,617.80)

#### (b) Other receivables (note 4(5)(b))

	30 June 2018		31 December 2017	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Hexin Mining	13,111,795.76	-	67,468,175.47	-
Hami Jinhui Real Estate Development Co., Ltd.	30,000,000.00	-	30,000,000.00	-
Fuyun Hengsheng Beryllium Industry Co., Ltd.	553,703.17	-	553,703.17	-
Xinjiang Zhanxin Fire Insulation Materials Co., Ltd.	43,020.00	-	-	-
Xingjiang Wuxin Copper Co.,Ltd.	-	-	-	-
Xinjiang Qianxin Mining Co., Ltd.	167,326.34	-	107,602.30	-
Beijing Baodi Xindi Kema Co., Ltd	15,365.94	-	-	-
	<b>43,891,211.21</b>	<b>-</b>	98,129,480.94	-

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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:

#### (c) Advances to suppliers

	30 June 2018		31 December 2017	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Fukang Non-ferrous Development Co., Ltd.	-	-	78,608.00	-
Hexin Mining	22,913,780.09	-	2,546,985.56	-
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	6,030,663.90	-	-	-
	<b>28,944,443.99</b>	<b>-</b>	2,625,593.56	-

#### (d) Accounts payable

	30 June 2018	31 December 2017
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	20,354,480.62	28,464,737.52
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,076,321.60	3,551,197.50
Fukang Non-ferrous Development Co., Ltd.	2,045,600.55	2,922,454.15
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	32,310,354.65	2,708,605.29
Xinjiang Dongsanhuan Trading Co., Ltd.	2,128,819.20	2,128,819.20
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	1,046,245.40	1,282,753.90
Hexin Mining	951,137.01	339,985.98
Fukang Juxin Industrial and Trade Co., Ltd.	137,525.80	259,764.96
The Western Gold Hami Gold Mine Co., Ltd.	12,704.62	132,620.02
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	71,682.25	71,682.25
Fukang Non-ferrous Property Management Co.,Ltd.	31,055.68	31,055.68
	<b>60,165,927.38</b>	41,893,676.45

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(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:

#### (e) Other payables (note 4(19))

	30 June 2018	31 December 2017
Xinjiang Non-ferrous Metal Industry (Group) Quaxin Construction Co., Ltd.	42,095,624.20	56,906,623.81
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	1,483,713.00	1,476,948.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	282,168.40	282,168.40
Fukang Non-ferrous Development Co., Ltd.	50,000.00	50,000.00
Xinjiang Wuxin Copper Co., Ltd.	1,020.75	44,129.61
	<b>43,912,526.35</b>	58,759,869.82

#### (f) Advances from customers

	30 June 2018	31 December 2017
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	–	20,215,446.29
Fuyun Hengsheng Beryllium Industry Co., Ltd.	–	15,305.99
Xinjiang Dongsanhuan Trading Co., Ltd.	–	13,201.80
	–	20,243,954.08

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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 2018	31 December 2017
– As lessee Xinjiang Non-ferrous Group	817,965.00	817,965.00
– As lessor Xinjiang Zhanxin Fire Insulation Materials Co., Ltd.	43,020.00	43,020.00

## 9 COMMITMENTS

### (1) Capital commitments

As at 30 June 2018 and 31 December 2017, the Group had no capital expenditures contracted for but not yet necessary to be recognised on the balance sheet.

### (2) Operating lease commitments

The future minimum lease payments due under the signed irrevocable operating leases contracts were summarised as follows:

	30 June 2018	31 December 2017
Within one year	408,982.50	817,965.00
Between one and two years	–	–
	408,982.50	817,965.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 10 EVENTS AFTER THE BALANCE SHEET DATE

The Group had no events after the balance sheet date to be disclosed or adjusted.

## 11 LEASES

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

## 12 FINANCIAL INSTRUMENT AND RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily interest rate 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 major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies. The Group may consider entering into forward exchange contracts or currency swap contracts to mitigate the foreign exchange risk. For the six months ended 30 June 2018 and 2017, the Group did not enter into any forward exchange contracts or currency swap contracts.

As at 30 June 2018 and 31 December 2017, the Group did not have assets or liabilities denominated in foreign currencies.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)*

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (1) Market risk (continued)

#### (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 2018, the Group's interest bearing debts were mainly floating rate borrowings, fixed rate borrowings and interest bearing bond payable denominated in RMB, which totalled RMB2,796,709,380.00 (31 December 2017: RMB2,331,264,884.34), of which floating rate borrowings are RMB890,000,000.00, fixed rate borrowings are RMB1,106,709,380.00 and interest-bearing bond payable are RMB800,000,000.00 respectively (31 December 2017: RMB690,000,000.00, RMB841,264,884.34, RMB800,000,000.00) (note 4(21), (22)).

The Group analyses its interest rate exposure on a dynamic basis. The rise in interest rates would increase the cost of the new interest-bearing debts and unpaid floating interest-bearing debt, and would bring a negative effect to the Group operation results. The Group may manage its interest risk by using floating-to-fixed interest rate swap based on the latest market condition. During the six months ended 2018 and 2017, there is no interest swap exists.

As at 30 June 2018, if annual interest rates had been 10% lower/higher with all other variables held constant, net loss would have decreased/increased by RMB1,784,417.13 (31 December 2017: net profit decreased/increased RMB1,431,725.22).

#### (c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 54.21% of the total sales for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 67.82%) 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.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (2) Credit risk

Credit risk is managed on a Group basis. Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables, and notes receivable etc.

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.

### (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.

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 2018				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities at fair value through profit or loss	509,522,951.08	-	-	-	509,522,951.08
Notes payable and					
Accounts payable	447,843,798.81	-	-	-	447,843,798.81
Interest payable	35,091,521.51	-	-	-	35,091,521.51
Short-term borrowings	862,123,097.22	-	-	-	862,123,097.22
Long-term borrowings	32,130,000.00	431,170,109.59	204,757,369.86	-	668,057,479.45
Bond payable	832,788,888.87	-	-	-	832,788,888.87
Notes payable	180,000,000.00	-	-	-	180,000,000.00
Other payables	178,812,691.96	-	-	-	178,812,691.96
	2,898,312,949.45	431,170,109.59	204,757,369.86	-	3,534,240,428.90

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (3) Liquidity risk (continued)

	31 December 2017				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities at fair value through profit or loss	209,204,783.34	509,522,951.08	-	-	718,727,734.42
Accounts payable and					
Notes payable	271,749,952.15	-	-	-	271,749,952.15
Interest payable	8,291,991.51	-	-	-	8,291,991.51
Short-term borrowings	779,916,791.67	-	-	-	779,916,791.67
Long-term borrowings	42,726,850.00	35,524,790.00	-	-	78,251,640.00
Bond payable	845,788,888.89	-	-	-	845,788,888.89
Notes payable	278,400,000.00	-	-	-	278,400,000.00
Other payables	214,180,584.14	-	-	-	214,180,584.14
	2,650,259,841.70	545,047,741.08	-	-	3,195,307,582.78

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 2018				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Guarantees	104,500,000.00	-	-	-	104,500,000.00

	31 December 2017				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Guarantees	104,500,000.00	-	-	-	104,500,000.00



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 12 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

### (3) Liquidity risk (continued)

Bank and other borrowings were analysed by repayment terms as follows:

	30 June 2018		31 December 2017	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Within 1 year	104,500,000.00	–	104,500,000.00	–
1 to 2 years	–	–	–	–
2 to 5 years	–	–	–	–
	<b>104,500,000.00</b>	<b>–</b>	<b>104,500,000.00</b>	<b>–</b>

## 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 2018, 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 at Fair value and through profit or loss	–	–	311,040,000.00	311,040,000.00
Financial liabilities –				
Gold leasing and corresponding future contracts	(502,709,380.00)	–	–	(502,709,380.00)
	<b>(502,709,380.00)</b>	<b>–</b>	<b>311,040,000.00</b>	<b>(191,669,380.00)</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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 2017, 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 at fair value and through profit or loss	–	–	105,620,000.00	105,620,000.00
Financial liabilities –				
Gold leasing and corresponding future contracts	(686,264,884.34)	–	–	(686,264,884.34)
	(686,264,884.34)	–	105,620,000.00	(580,644,884.34)

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.

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

	Financial assets at fair value and through profit and loss
1 January 2018	105,620,000.00
Purchase	1,907,080,000.00
Sale	(1,706,371,208.36)
Total gains or losses during current period	4,711,208.36
Gains or losses included in the income statements	4,711,208.36
Gains or losses included in other comprehensive income	–
30 June 2018	311,040,000.00

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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 level3 was listed as follows:

	Available-for-sale financial assets
1 January 2017	565,037,000.00
Purchase	903,620,000.00
Sale	(1,377,338,032.64)
Total gains or losses during current period	14,301,032.64
Gains or losses included in the income statements	14,301,032.64
Gains or losses included in other comprehensive income	-
31 December 2017	105,620,000.00

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.

### (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, bond payable and long-term payables.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 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.

	30 June 2018	31 December 2017
Total borrowings		
Short-term borrowings	840,000,000.00	770,000,000.00
Long-term borrowings	599,000,000.00	35,000,000.00
Current portion of non-current liabilities	1,357,709,380.00	840,000,000.00
Financial liabilities measured at fair value through profit and loss	—	686,264,884.34
	<b>2,796,709,380.00</b>	2,331,264,884.34
Less: cash and cash equivalents	<b>(639,542,032.01)</b>	(346,307,415.13)
Net debt (a)	<b>2,157,167,347.99</b>	1,984,957,469.21
Total equity (b)	<b>4,377,538,864.48</b>	4,362,518,769.50
Total capital (c) = (a) + (b)	<b>6,534,706,212.47</b>	6,347,476,238.71
Gearing ratio (a)/(c)	<b>33.01%</b>	31.27%

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(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 2018	31 December 2017
Cash on hand	3,197.19	10,088.79
Cash at bank	299,870,006.41	255,169,175.78
Restricted cash at banks (a)	14,739,011.00	59,415,173.25
	<b>314,612,214.60</b>	314,594,437.82

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

	30 June 2018	31 December 2017
Deposits for issue of bank acceptance notes	14,062,477.43	58,718,639.68
Deposits for environmental recovery and safety of production	696,533.57	696,533.57
	<b>14,739,011.00</b>	59,415,173.25

### (2) Financial assets held for trading

	30 June 2018	31 December 2017
Financial assets measured at fair value through profit or loss	300,990,000.00	-

### (3) Notes receivable & Accounts receivable

	30 June 2018	31 December 2017
Notes receivable (a)	166,565,921.59	78,976,383.38
Accounts receivable (b)	83,373,334.48	81,512,144.85
	<b>249,939,256.07</b>	160,488,528.23

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Notes receivable & Accounts receivable (continued)

(a) Notes receivable

	30 June 2018	31 December 2017
Bank acceptance notes	166,565,921.59	78,976,383.38

(b) Accounts receivable

	30 June 2018	31 December 2017
Accounts receivable	87,144,129.46	85,282,939.83
Less: provision for bad debts	(3,770,794.98)	(3,770,794.98)
	<b>83,373,334.48</b>	81,512,144.85

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.

- (i) On June 30, 2018, the summary analysis of accounts receivable in the top five of the balances collected by the defaulting party is as follows:

	Ending Balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	86,907,258.50	-	99.73%

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

(c) Provision for bad debts

	30 June 2018	31 December 2017
Provision for bad debts of Notes Receivable	-	-
Provision for bad debts of Accounts Receivable	(3,770,794.98)	(3,770,794.98)
	<b>(3,770,794.98)</b>	(3,770,794.98)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (3) Notes receivable & Accounts receivable (continued)

(c) Provision for bad debts (continued)

(i) On June 30, 2018, the related provision of bad debts receivable notes and Accounts receivable analysis as follows:

Group – Related parties :

	30 June 2018		
	Ending Balance	Provision for bad debts	
	Amount	Expected credit loss rate throughout the duration	Amount
Current	3,208,293.41	–	–
1–30 days Overdue	–	–	–
31–60 days Overdue	–	–	–
61–90 days Overdue	–	–	–
More than 90 days overdue	19,855,678.30	7.34%	(1,456,617.80)
	<b>23,063,971.71</b>		<b>(1,456,617.80)</b>

Group – Non-related parties :

	30 June 2018		
	Ending Balance	Provision for bad debts	
	Amount	Expected credit loss rate throughout the duration	Amount
Current	61,539,569.87	–	–
1–30 days Overdue	–	–	–
31–60 days Overdue	–	–	–
61–90 days Overdue	–	–	–
More than 90 days overdue	2,540,587.88	91.09%	(2,314,177.18)
	<b>64,080,157.75</b>		<b>(2,314,177.18)</b>

(ii) This period does not mention the provision for bad debts, did not occur to recover or revert to the provision of bad debts.

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

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (4) Advances to suppliers

The ageing of advances to suppliers was analysed as follows:

	30 June 2018		31 December 2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	878,280,027.06	99.79%	811,590,198.69	99.76%
1 to 2 years	172,247.32	0.02%	200,660.90	0.02%
2 to 3 years	200,660.90	0.02%	238,771.32	0.03%
Over 3 years	1,507,446.27	0.17%	1,507,446.27	0.19%
	<b>880,160,381.55</b>	<b>100.00%</b>	813,537,077.18	100.00%

### (5) Other receivables

	30 June 2018	31 December 2017
Amount due from subsidiaries ( <i>Note</i> )	1,045,478,400.00	1,045,478,400.00
Interest receivable	35,457,474.79	6,412,500.00
Amount due from a joint-venture	12,982,000.00	67,284,320.00
Deposits for sales guarantee	—	—
Cash advance	47,090.93	117,737.56
Others	2,211,938.66	1,432,861.53
	<b>1,096,183,179.59</b>	1,120,725,819.09
Less: provision for bad debts	(6,275.21)	(6,275.21)
	<b>1,096,176,904.38</b>	1,120,719,543.88

*Note:* The amount due from Xinjiang Yakesi was RMB890,000,000.00. The amount due from Shaanxi Xinxin was RMB5,478,400.00. The amount due from Zhongxin Mining was RMB150,000,000.



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (5) Other receivables (continued)

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

(i) On June 30, 2018, 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	1,059,680,803.42	-	-	
Staff Reserve	129,362.19	-	-	
Others	909,263.98	0.69%	(6,275.21)	Overdue but not withdrawn
	1,060,719,429.59		(6,275.21)	

(ii) On June 30, 2018, there were no other receivables in Phase II and Phase III of the company.

**(b) No provision for bad debts has been made during the period and no recovery or reversal of the preparation of bad debts has occurred.**

**(c) No write-off occurred during the period.**

**(d) As at 30 June 2018, the top five other receivables were analysed as follows:**

Nature	Amount	Ageing	% of total balance	Provision for bad debts
Xinjiang Yakesi loans	890,000,000.00	Within 2 years	83.91%	-
Zhongxin Mining loans	150,000,000.00	Within 1 year	14.14%	-
Hexin Mining loans	12,982,000.00	Within 1 year	1.22%	-
Shaanxi Xinxin Mining loans	5,478,400.00	1 to 2 years	0.52%	-
Beijing Xinding others	763,767.18	Within 1 year	0.07%	-
	1,059,224,167.18		99.86%	-

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (6) Inventories

	30 June 2018			31 December 2017		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	53,422,670.59	(4,336,822.90)	49,085,847.69	54,255,953.15	(4,336,822.90)	49,919,130.25
Work in progress	104,393,065.76	-	104,393,065.76	173,943,613.38	-	173,943,613.38
Semi-finished goods	461,303,312.91	-	461,303,312.91	315,645,547.69	-	315,645,547.69
Finished goods	462,481,687.72	(3,010,345.02)	459,471,342.70	462,080,652.24	(3,010,345.02)	459,070,307.22
	<b>1,081,600,736.98</b>	<b>(7,347,167.92)</b>	<b>1,074,253,569.06</b>	<b>1,005,925,766.46</b>	<b>(7,347,167.92)</b>	<b>998,578,598.54</b>

### (7) Other current assets

	30 June 2018	31 December 2017
Available-for-sale financial assets (note 4(8))	-	95,960,000.00
Deductible VAT Prepayment of income tax	707,559.94	11,540,065.99
	<b>11,505,009.15</b>	<b>10,868,762.83</b>
	<b>12,212,569.09</b>	<b>118,368,828.82</b>

### (8) Long-term receivable

	30 June 2018	31 December 2017
Long-term receivable	135,000,000.00	135,000,000.00

For the six months ended 30 June 2018, the Company provided 5-year long-term loans of RMB135,000,000.00 to Beijing Xinding respectively, with an annual rate of 6.00%. As at 30 June 2018, the balance of long-term receivable was RMB135,000,000.00 (31 December 2017: RMB135,000,000.00).

### (9) Long-term equity investment

	30 June 2018	31 December 2017
Subsidiaries (a)	2,350,131,420.87	2,350,131,420.87
Joint venture (b)	150,577,425.42	149,177,257.93
	<b>2,500,708,846.29</b>	<b>2,499,308,678.80</b>
Less: provision of long-term equity investments	-	-
	<b>2,500,708,846.29</b>	<b>2,499,308,678.80</b>

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (9) Long-term equity investment (continued)

#### (a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2017	Current year changes	30 June 2018	Equity interest held	Voting rights held
Mengxi Mining	Cost method	10,200,000.00	10,200,000.00	-	10,200,000.00	51%	51%
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	91,100,349.00	-	91,100,349.00	75%	75%
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%	100%
Beijing Xinding	Cost method	100,000,000.00	100,000,000.00	-	100,000,000.00	100%	100%
Shaanxi Xinxin	Cost method	80,000,000.00	80,000,000.00	-	80,000,000.00	51%	51%
			2,350,131,420.87	-	2,350,131,420.87		

#### (b) Joint-venture

	31 December 2017	Increase in investment	Current year movement					30 June 2018	Provision for impairment
			Share of net profit using the equity method (note 4(46))	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared	Impairment provided in the current year		
Hexin Mining	149,177,257.93	-	1,400,167.49	-	-	-	-	150,577,425.42	-

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (10) Fixed assets

	Building	Machinery and equipment	Motor vehicles	Electronic equipment office equipment	Total
Cost					
31 December 2017	469,668,223.39	447,268,169.93	16,514,256.80	21,053,674.46	954,504,324.58
Additions					
Purchase	-	2,216,769.22	6,512.82	237,513.00	2,460,795.04
Decrease					
Disposal	-	-	(450,000.00)	(269,615.26)	(719,615.26)
<b>30 June 2018</b>	<b>469,668,223.39</b>	<b>449,484,939.15</b>	<b>16,070,769.62</b>	<b>21,021,572.20</b>	<b>956,245,504.36</b>
Accumulated depreciation					
31 December 2017	155,897,496.23	255,351,469.53	12,620,098.57	14,636,027.52	438,505,091.85
Accrument	9,033,950.69	14,316,709.72	536,150.55	1,322,611.20	25,209,422.16
Disposal	-	-	(436,500.00)	(261,505.01)	(698,005.01)
<b>30 June 2018</b>	<b>164,931,446.92</b>	<b>269,668,179.25</b>	<b>12,719,749.12</b>	<b>15,697,133.71</b>	<b>463,016,509.00</b>
Net book value					
<b>30 June 2018</b>	<b>304,736,776.47</b>	<b>179,816,759.90</b>	<b>3,351,020.50</b>	<b>5,324,438.49</b>	<b>493,228,995.36</b>
31 December 2017	313,770,727.16	191,916,700.40	3,894,158.23	6,417,646.94	515,999,232.73

For the six months ended 30 June 2018, depreciation of fixed assets amounted to RMB25,209,422.16 (2017: RMB24,640,259.33) in total, of which RMB23,860,542.12 were charged to cost of sales, RMB1,272,808.39 to general and administrative expense, and RMB76,071.65 to selling expense (For the six months ended 30 June 2017: RMB23,401,342.13, RMB1,166,883.67 and RMB72,033.53 respectively).

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (11) Intangible assets

	land use right	other	Total
Cost			
31 December 2017	55,768,857.90	694,384.72	56,463,242.62
Additions Purchase	–	5,000.00	5,000.00
<b>30 June 2018</b>	<b>55,768,857.90</b>	<b>699,384.72</b>	<b>56,468,242.62</b>
Accumulated depreciation			
31 December 2017	10,001,882.56	331,628.03	10,333,510.59
Additions Provision	566,107.38	70,800.10	636,907.48
<b>30 June 2018</b>	<b>10,567,989.94</b>	<b>402,428.13</b>	<b>10,970,418.07</b>
Net book value			
<b>30 June 2018</b>	<b>45,200,867.96</b>	<b>296,956.59</b>	<b>45,497,824.55</b>
31 December 2017	45,766,975.34	362,756.69	46,129,732.03

For the six months ended 30 June 2018, amortisation expense of intangible assets amounted to RMB636,907.48 (For the six months ended 30 June 2017: RMB628,178.3).

### (12) Deferred tax assets

	30 June 2018		31 December 2017	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Assets impairment	11,124,238.11	1,668,635.72	11,124,238.11	1,668,635.72
Deductible losses	492,869,191.00	73,930,378.65	562,275,922.39	84,341,388.36
Government grants	1,633,784.00	245,067.60	1,664,450.00	249,667.50
	<b>505,627,213.11</b>	<b>75,844,081.97</b>	575,064,610.50	86,259,691.58
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		19,585,570.62		19,590,170.98
Deferred tax asset to be recovered after 1 year		56,258,511.35		66,669,520.60
		<b>75,844,081.97</b>		86,259,691.58

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (13) Provision for asset impairment

	31 December 2017	Current year additions	Current year reductions Reversal	Sold	Other	30 June 2018
Provision for bad debts	3,777,070.19	-	-	-	-	<b>3,777,070.19</b>
Including: Accounts receivable	3,770,794.98	-	-	-	-	<b>3,770,794.98</b>
Other receivables	6,275.21	-	-	-	-	<b>6,275.21</b>
Provision for decline in value of inventories	7,347,167.92	-	-	-	-	<b>7,347,167.92</b>
	11,124,238.11	-	-	-	-	<b>11,124,238.11</b>

### (14) Accounts payable & Notes payable

	30 June 2018	31 December 2017
Notes payable	<b>145,000,000.00</b>	278,400,000.00
Payable for purchase of materials	<b>68,316,717.20</b>	63,005,652.09
Transportation fee payable	<b>996,444.17</b>	2,108,965.90
Others	<b>245,072.98</b>	788,507.72
	<b>214,558,234.35</b>	344,303,125.71

### (15) Contract Liabilities

	30 June 2018	31 December 2017
Advances from customer	<b>15,826,666.49</b>	-

### (16) Employee benefits payable

	30 June 2018	31 December 2017
Short-term employee benefits payable	<b>22,762,238.62</b>	24,667,088.01
Defined contribution plans payable	<b>5,597.85</b>	7,299.00
	<b>22,767,836.47</b>	24,674,387.01

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (16) Employee benefits payable (continued)

#### (a) Short-term employee benefit payable

	31 December 2017	Current year additions	Current year reductions	30 June 2018
Salaries, bonuses, allowances and subsidies	20,555,372.50	34,128,396.77	(36,296,064.38)	<b>18,387,704.89</b>
Staff welfare	–	–	–	–
Social insurances	7,748.69	2,708,294.92	2,713,866.70	<b>2,176.91</b>
Including: Medical insurance	2,176.91	2,270,662.68	(2,270,662.68)	<b>2,176.91</b>
Work injury insurance	5,571.78	290,742.61	(296,314.39)	–
Maternity insurance	–	146,889.63	(146,889.63)	–
Housing funds	451,247.00	2,960,260.00	(2,960,260.00)	<b>451,247.00</b>
Labor union fund and employee education fund	3,651,699.82	1,030,620.15	(761,210.15)	<b>3,921,109.82</b>
Others	1,020.00	980,549.07	(981,569.07)	–
	24,667,088.01	41,808,120.91	(43,712,970.30)	<b>22,762,238.62</b>

#### (b) Defined contribution plans payable

	31 December 2017	Current year additions	Current year reductions	30 June 2018
Pension insurance	1,253.87	4,550,516.05	(4,552,217.20)	<b>(447.28)</b>
Unemployment insurance	6,045.13	120,845.61	(120,845.61)	<b>6,045.13</b>
	7,299.00	4,671,361.66	(4,673,062.81)	<b>5,597.85</b>

### (17) Taxes payable

	30 June 2018	31 December 2017
Value added tax payable	<b>2,654,750.09</b>	1,304,768.69
Individual income tax	<b>225,209.38</b>	82,312.68
Stamp duty	<b>127,992.40</b>	437,289.90
City maintenance and construction tax payable	<b>160,958.92</b>	85,969.58
Educational surcharge payable	<b>128,907.37</b>	61,212.78
Others	<b>18,177.98</b>	–
Total	<b>3,315,996.14</b>	1,971,553.63

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (18) Other payables

	30 June 2018	31 December 2017
Payable to subsidiaries	95,613,080.90	36,540,988.80
Payables for purchases of equipments	4,680,808.72	4,870,231.16
Interests for bond payable	32,788,888.87	6,788,888.89
Payables for construction projects	30,181,607.01	4,209,764.07
Payable for professional service	173,461.80	1,977,673.57
Withholding of social security fees	1,393,949.13	–
Interest payable on short-term loans	99,444.44	–
Interest payable on long-term loans	277,221.88	–
Others	5,304,956.40	3,002,153.65
<b>Total</b>	<b>170,513,419.15</b>	<b>57,389,700.14</b>

### (19) Revenue and cost of sales

	Six months ended 30 June 2018	Six months ended 30 June 2017
Revenue from main operation	812,121,370.51	412,009,404.37
Revenue from other operation	492,245.75	144,980.68
	<b>812,613,616.26</b>	<b>412,154,385.05</b>

	Six months ended 30 June 2018	Six months ended 30 June 2017
Cost of sales from main operation	698,904,222.84	368,126,328.46
Cost of sales from other operation	12,651.22	12,326.97
	<b>698,916,874.06</b>	<b>368,138,655.43</b>

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

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Revenue from main operation	Cost sales from main operation	Revenue from main operation	Cost sales from main operation
Nickel cathode	676,463,384.98	580,429,865.76	237,528,012.86	236,871,873.13
Copper cathode	116,968,631.43	111,715,025.72	129,304,796.52	94,848,109.52
Others	18,689,354.10	6,759,331.36	45,176,594.99	36,406,345.81
	<b>812,121,370.51</b>	<b>698,904,222.84</b>	<b>412,009,404.37</b>	<b>368,126,328.46</b>



# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (19) Revenue and cost of sales (continued)

#### (b) Revenue and cost of sales from other operation

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Revenue from other operation	Cost sales from other operation	Revenue from other operation	Cost sales from other operation
Scrap sales	405,721.28	–	84,810.08	–
Others	86,524.47	12,651.22	60,170.60	12,326.97
	<b>492,245.75</b>	<b>12,651.22</b>	144,980.68	12,326.97

### (20) Financial expenses – net

	Six months ended 30 June 2018	Six months ended 30 June 2017
Interest expense	52,350,840.44	44,022,319.07
Less: Capitalised interest	–	–
Interest expense	52,350,840.44	44,022,319.07
Less: Interest income on bank deposits	(28,368,635.21)	(33,292,842.62)
Foreign exchange gains	–	–
Bank charges	3,341,012.37	1,061,201.17
	<b>27,323,217.60</b>	11,790,677.62

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

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

### (21) 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 2018	Six months ended 30 June 2017
Raw materials and consumables used	<b>690,414,145.56</b>	467,645,665.63
Changes in inventories of work in progress, semi-finished goods and finished goods (note 15(6))	<b>(76,508,253.08)</b>	(178,128,669.33)
Employee benefits	<b>46,479,482.57</b>	45,177,985.22
Depreciation (note 15(10))	<b>25,209,422.16</b>	24,640,259.33
Electricity costs	<b>17,853,182.58</b>	18,563,911.45
Other overhead	<b>3,976,338.31</b>	4,150,029.31
Office expenses	<b>561,312.67</b>	987,912.45
Transportation fee	<b>1,841,829.49</b>	3,151,160.05
Amortisation of intangible assets (note 15(11))	<b>636,907.48</b>	628,178.34
Safety fund	<b>3,329,940.24</b>	3,735,593.94
Reversal of inventory provision due to sales (note 15(13))	–	(5,777,561.77)
Others	<b>3,170,352.01</b>	2,456,193.55
	<b>716,964,659.99</b>	387,230,658.17

### (22) Investment Income

	Six months ended 30 June 2018	Six months ended 30 June 2017
Net loss from a joint-venture under equity method (note 4(8)(a))	<b>1,400,167.49</b>	(4,032,994.86)
Investment income from disposal of available-for-sale financial assets	<b>4,538,067.87</b>	4,440,836.71
	<b>5,938,235.36</b>	407,841.85

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

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

### (23) Income tax expenses (continued)

	Six months ended 30 June 2018	Six months ended 30 June 2017
Current income tax	536,636.53	–
Deferred income tax	10,415,609.61	2,202,777.07
	<b>10,952,246.14</b>	2,202,777.07

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 2018	Six months ended 30 June 2017
Total profit	70,837,564.86	10,652,185.63
Income tax expenses calculated at applicable tax rate of 25%	17,709,391.22	2,663,046.41
Effect of tax deductions	(7,083,756.49)	(1,065,218.56)
Income not subject to tax	–	604,949.22
Expenses not deductible for tax purposes	–	–
Clearance differences in respect of prior years	326,611.41	–
	<b>10,952,246.14</b>	2,202,777.07

## 16 NET CURRENT ASSETS/(LIABILITIES)

	The Group	
	30 June 2018	31 December 2017
Current assets	2,751,159,850.53	2,318,921,359.95
Less: current liabilities	(2,974,017,466.68)	(2,676,467,047.12)
Net current assets/(liabilities)	<b>(222,857,616.15)</b>	(357,545,687.17)

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018  
(All amounts in RMB Yuan unless otherwise stated)

## 16 NET CURRENT ASSETS/(LIABILITIES) (CONTINUED)

	<b>The Company</b>	
	<b>30 June 2018</b>	31 December 2017
Current assets	<b>3,928,344,894.75</b>	3,526,287,014.47
Less: current liabilities	<b>(2,076,982,152.60)</b>	(1,812,381,722.55)
Net current assets/(liabilities)	<b>1,851,362,742.15</b>	1,713,905,291.92

## 17 TOTAL ASSETS LESS CURRENT LIABILITIES

	<b>The Group</b>	
	<b>30 June 2018</b>	31 December 2017
Total assets	<b>8,148,145,132.39</b>	7,779,915,657.12
Less: current liabilities	<b>(2,974,017,466.68)</b>	(2,676,467,047.12)
Total assets less current liabilities	<b>5,174,127,665.71</b>	5,103,448,610.00

	<b>The Company</b>	
	<b>30 June 2018</b>	31 December 2017
Total assets	<b>7,243,809,298.07</b>	6,867,085,672.06
Less: current liabilities	<b>(2,076,982,152.60)</b>	(1,812,381,722.55)
Total assets less current liabilities	<b>5,166,827,145.47</b>	5,054,703,949.51

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 June 2018

(All amounts in RMB Yuan unless otherwise stated)

## 1 EXTRAORDINARY GAINS OR LOSSES

	<b>Six months ended 30 June 2018</b>	Six months ended 30 June 2017
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	<b>3,816,072.69</b>	6,879,655.19
Government grants through profit or loss	<b>3,119,201.47</b>	963,623.52
Gains/(losses) on disposal of non-current assets	<b>(11,823.84)</b>	89,485.96
Other operating revenues and expenses	<b>147,540.40</b>	(800,313.32)
	<b>7,070,990.72</b>	7,132,451.35
Income tax	<b>(738,605.42)</b>	(7,400.10)
Non-controlling interest impact (after tax)	<b>3,149.98</b>	9,017.19
	<b>6,335,535.28</b>	7,134,068.44

### 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 PROFIT/(LOSS) ON NET ASSETS AND PROFIT/(LOSS) PER SHARE

	Weighted averaged profit/(loss) on net assets (%)		Profit/(Loss) per share			
			Profit/(Loss) per share		Diluted Profit/(Loss) per share	
	Six months ended 30 June 2018	Six months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
Net profit/(loss) attributable to ordinary shareholders	0.20%	(1.46%)	0.004	(0.029)	0.004	(0.029)
Net profit/(loss) attributable to ordinary shareholders excluding extraordinary items	0.06%	(1.47%)	0.001	(0.029)	0.001	(0.029)



Xinjiang Xinxin Mining Industry Co., Ltd.\*  
新疆新鑫礦業股份有限公司