



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

Annual Report

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21

We See The Future

*For identification purpose only

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Qi Xinhui
Yu Wenjiang (*Appointed on 11 June 2021*)

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hu Benyuan
Wang Qingming
Lee Tao Wai

SUPERVISORS

Meng Guojun
Meng Guangzhi (*Resigned on 30 March 2021*)
Li Jiangping (*Resigned on 30 March 2021*)
Shi Keli (*Appointed on 30 March 2021*)
Shan Zhengzhong (*Appointed on 30 March 2021*)
Yao Wenying (*Chairman since 12 April 2021*)
Chen Rong (*Resigned on 11 June 2021*)
Zhong Rubiao (*Appointed on 11 June 2021*)

AUDIT COMMITTEE

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

REMUNERATION AND REVIEW COMMITTEE

Hu Benyuan (*Chairman*)
Zhou Chuanyou
Wang Qingming
Lee Tao Wai
Qi Xinhui (*Appointed on 6 January 2021 and resigned on 26 March 2021*)
Guo Quan (*Appointed on 26 March 2021*)

NOMINATION COMMITTEE

Zhang Guohua (*Chairman*)
Hu Benyuan
Lee Tao Wai

STRATEGIC DEVELOPMENT COMMITTEE*

Zhang Guohua (*Chairman*)
Zhou Chuanyou
Guo Quan
Wang Qingming
Qi Xinhui (*Appointed on 6 January 2021*)

COMPANY SECRETARIES

Lam Cheuk Fai *FCPA*
Li Zhenzhen

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE IN HONG KONG

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

STATUTORY ADDRESS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

LEGAL ADVISERS

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

AUDITORS

International and PRC auditors
PricewaterhouseCoopers Zhong Tian LLP

H SHARE REGISTRAR IN HONG KONG

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

PUBLIC RELATIONS

Wonderful Sky Financial Group Limited

COMPANY WEBSITE

kunlun.wsfg.hk

STOCK CODE

3833

* Renamed as "Strategic Sustainability (ESG) Committee" on 25 February 2022

SUMMARY

Xinjiang Xinxin Mining Industry Co., Ltd.* (the “Company”) was incorporated on 1 September 2005 with the approval of the People’s Government of Xinjiang Uygur Autonomous Region as a joint stock limited company in the People’s Republic of China (the “PRC”) by way of promotion with Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工業(集團)有限責任公司) (“Xinjiang Non-Ferrous”), Shanghai Yilian Kuangneng Co. Ltd.* (上海怡聯礦能實業有限公司) (“Shanghai Yilian”), Zhongjin Investment (Group) Ltd.* (中金投資(集團)有限公司) (“Zhongjin Investment”), Zijin Mining Group (Xiamen) Investment Co., Ltd.* (紫金礦業集團(廈門)投資有限公司), Xinjiang Xinying New Material Co. Ltd.* (新疆信盈新型材料有限公司) and Shaanxi Honghao Industry Co., Ltd.* (陝西鴻浩實業有限公司) acting as the promoters (collectively referred to as the “Promoters”).

The Promoters hold in aggregate 1,451,000,000 domestic shares of the Company. In October 2007, 759,000,000 H shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company was the first Chinese nickel cathode production enterprise listed outside the PRC.

On 9 March 2016, Shaanxi Honghao Industry Co., Ltd.* (陝西鴻浩實業有限公司) transferred all of 6,272,000 domestic shares held by it in the Company to Shaanxi Guangyou trade Co., Ltd.* (陝西廣優貿易有限公司) by means of negotiated assignment, after which, Shaanxi Guangyou trade Co., Ltd.* (陝西廣優貿易有限公司) holds 6,272,000 domestic shares of the Company.

The Company and its subsidiaries (the “Group”) are the second largest nickel cathode producer in the PRC utilizing nickel sulfide resources and are principally engaged in the mining, ore processing, smelting and refining operations and sales of nickel, copper and other non-ferrous metals. The major product of the Group is nickel cathode. The secondary product includes copper cathode. Cobalt products, gold, silver, platinum and palladium are also produced and derived from the Group’s main production process.

In addition to the Kalatongke nickel-copper mine held by the Company at the time of establishment, the Company acquired Huangshandong (黃山東), Huangshan (黃山) and Xiangshan (香山), three nickel-copper mines in Hami, Xinjiang in 2009. The Company held 100% equity interests in the above four nickel-copper mines.

The Company acquired 51% equity interests in Shaanxi Xinxin Mining Co., Ltd (“Shaanxi Xinxin”) in 2011. Shaanxi Xinxin held two vanadium mines in Xianghe Street and Mujia River in Shangnan, Shaanxi (陝西商南縣的湘河街和穆家河) in which the Company held 51% equity interests thereof. As at 31 December 2021, two vanadium mines in Xianghe Street and Mujia River were still under the stage of resource exploration and no mining activities had been conducted yet.

CORPORATE INFORMATION

RESOURCES AND RESERVES

The resources and reserves estimates for the deposits of four nickel-copper mines in Kalatongke, Huangshandong, Huangshan and Xiangshan as at 31 December 2021 are set out in the following tables:

	Ore contents (t)	Grade Cu (%)	Ni (%)	Metal contents Cu (t)	Ni (t)
Resources as at 31 December 2021					
Kalatongke nickel-copper mine	29,183,413	1.00	0.58	291,322	170,184
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	66,113,911	0.29	0.46	190,516	302,733
Total	95,297,324			481,838	472,917
Reserves as at 31 December 2021					
Kalatongke nickel-copper mine	18,949,786	1.05	0.65	198,865	123,082
Three nickel-copper mines in Huangshandong, Huangshan, Xiangshan	27,627,345	0.31	0.49	85,536	136,578
Total	46,577,131			284,401	259,660

Note: The resources and reserves estimates for the deposits of Kalatongke nickel-copper mine were based on the 2007 estimates in the independent technical review report as shown in the Company's Prospectus dated 27 September 2007. The resources and reserves estimates for the deposits at three nickel-copper mines in Huangshandong, Huangshan and Xiangshan mines were based on the 2008 estimates of resources and reserves as approved for record by the Department of Land and Resources of the PRC. The increases and decreases in resources and reserves due to mining consumption and exploration during the period were confirmed by internal experts.

The resources estimates for the deposits of two vanadium mines in Xianghe Street and Mujia River as at 31 December 2021 are set out in the following table:

	Ore contents (t)	V ₂ O ₅ grade (%)	V ₂ O ₅ contents (t)
Resources as at 31 December 2021			
Xianghe Street vanadium mine	10,159,400	0.95	96,300
Mujia River vanadium mine	16,410,100	0.89	146,015
Total	26,569,500		242,315

Note: The resources estimates for the deposits at two vanadium mines in Xianghe Street and Mujia River were based on the 2012 estimates of resources as approved for record by the Land and Resources Bureau of Shaanxi Province. In 2020, according to the Mineral Resources Exploration License Notification issued by the Department of Natural Resources of Shaanxi Province (Shaanxi Ziran Zikuang Kanzi [2021] 045), the resources of the Mujiahe Vanadium Exploration Rights and Mining Rights (retained) were estimated and identified by internal experts.

SUMMARY OF FINANCIAL INFORMATION

Year ended/As at 31 December

(RMB'000)

	2017	2018	2019	2020	2021
RESULTS OF OPERATIONS					
Revenue	1,385,642	1,749,978	1,657,509	1,853,909	2,382,408
Gross operating profit*	167,864	271,724	311,189	401,831	860,464
Net profit/(loss) or total comprehensive income/ (loss) attributable to	(82,860)	(134,132)	24,843	179,171	514,262
– Shareholders of the Company	(81,587)	(54,193)	27,421	151,838	515,585
– Non-controlling interests	(1,273)	(79,939)	(2,578)	27,333	(1,323)
Earnings/(loss) per share – basic and diluted (RMB/share)	(0.037)	(0.025)	0.012	0.069	0.233
CASH FLOWS					
Net cash flows generated from operating activities	487,171	261,935	276,220	352,315	683,043
FINANCIAL POSITION					
Total assets	7,779,916	7,902,019	7,573,027	7,263,264	7,393,500
Total liabilities	3,417,397	3,673,865	3,320,030	2,831,096	2,447,070
Equity attributable to shareholders of the Company	4,287,956	4,233,530	4,260,951	4,412,789	4,928,375
Non-controlling interests	74,563	(5,376)	(7,954)	19,378	18,054
Total shareholders' equity	4,362,519	4,228,154	4,252,997	4,432,167	4,946,429
Cash and cash equivalents	346,307	489,204	267,229	263,453	376,577
KEY FINANCIAL RATIOS					
Gross profit margin (%)	12.11	15.53	18.77	23.58	38.23
Net profit/(loss) margin (%)	(5.98)	(7.66)	1.50	9.66	21.59
Gearing ratio (%) (net debts/total capital**)	31.27	31.96	29.94	26.38	17.82
Current ratio (times)	0.9	1.0	1.1	1.1	1.2

* Gross operating profit: Revenue – Cost of sales – Taxes and surcharges

** Total Capital: net debts + total equity

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to extend my gratitude for your confidence and support to Xinjiang Xinxin Mining Industry Co., Ltd.* (the "Company") and its subsidiaries (collectively the "Group"). I am pleased to report the operating results for the year ended 31 December 2021 ("Year 2021" or the "Year"):

MARKET OVERVIEW

In 2021, the average three-month future price of nickel cathode in London Metal Exchange was US\$18,452 per tonne, representing an increase of 33.25% as compared to that in 2020, and the average three-month future price of copper cathode was US\$9,291 per tonne, representing an increase of 50.15% as compared to that in 2020.

In 2021, the average settlement price (tax inclusive) of nickel cathode in Shanghai Futures Exchange was RMB137,649 per tonne, representing an increase of 26.22% as compared to that in 2020, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB139,213 per tonne, representing an increase of 26.06% as compared to that in 2020, and the average spot price (including tax) of copper cathode was RMB68,602 per tonne, representing an increase of 40.59% as compared to that in 2020.

The domestic price trends of nickel cathode and copper cathode were basically in line with the international market in 2021.

INDUSTRY POSITION

The Group is a mining company principally engaged in the mining, ore processing, smelting and refining of nickel cathode products and other non-ferrous metals (namely, copper, cobalt, gold, silver, platinum and palladium). According to the statistics of China Nonferrous Metals Industry Association, the domestic nickel output in 2021 was 160,000 tonnes, representing a decrease of 2.4% as compared to that in 2020. The Group produced 12,103 tonnes of nickel cathode in 2021, the Group remains the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

BUSINESS REVIEW

Impact of the COVID-19 pandemic on the Group

In 2021, the world continued to face the ravages of COVID-19, with the rapid spread of the new variants of the virus, various quarantine control measures and travel restrictions are continuing at home and abroad. However, with the promotion and vaccination of vaccines, the impact of COVID-19 on the Group has gradually shifted from a health threat to travel restrictions and logistical disruptions. The pandemic continues to bring inconvenience to the movement of people, especially in form of obstacles for the out-of-city employees to report to work and to take vacation. In addition, the delivery date of materials and equipment of engineering construction and technical transformation projects is delayed to a certain extent, and technicians of relevant projects are unable to provide on-site services. The headquarter of the Group has maintained an unimpeded information communication mechanism with its subsidiary companies and adjusted the response measures in real time according to local conditions. As at the date of this Annual Report, the pandemic has not significantly affected the normal operation and production of the Group. The Group and its subsidiary companies actively responded to the call of Xinjiang government for information management and pandemic prevention, took strict pandemic prevention measures and formulated pandemic prevention measures in accordance with the local government's pandemic prevention policies to ensure the normal pace of production and life operations. As a result, the impact of COVID-19 on the Group's operations for the Reporting Year was minimal.

CHAIRMAN'S STATEMENT

Production and Operation

For the year of 2021, in order to cope with the adverse impact on enterprises caused by the relatively lower prices of nickel cathode in both international and domestic markets and the rising procurement prices of raw materials, and in accordance with the relevant requirements of the State and Xinjiang government regarding production safety and improvement on environmental protection, the Group took a series of major measures to lower product costs and expenditures as well as improve overall operation efficiency of the Company. Such measures included upgrading and transforming the production safety and environmental protection facilities and the major production processes, enhancing the corporate Party Building work and other fundamental management work, adjusting internal operation structure, optimizing the technical and economic indicators of production processes, strictly controlling non-production expenditures, supplementing and improving technological renovation and capacity expansion projects as well as fulfilling planned production volume and attaining stated targets through performing the craftsmanship adjustment and testing and commissioning as soon as possible. In the meantime, the Group intensified analysis and research of products market, and adopted the marketing strategies of pricing sales combining spot and futures, which in turn achieved the goal to realize the sales of major products of the Group with a relatively higher market price and enhance the economic efficiency.

For the year of 2021, the Group recorded a total nickel cathode output of 12,103 tonnes, representing an increase of 2.40% as compared to that in 2020, and a total copper cathode output of 11,031 tonnes, representing an increase of 0.27% as compared to that in 2020.

For the year of 2021, the Group recorded total nickel cathode sales of 10,943 tonnes, representing a decrease of 3.37% as compared to that in 2020, and total copper cathode sales of 11,051 tonnes, representing a decrease of 1.49% as compared to that in 2020.

For the year of 2021, the Group recorded an average selling price of nickel cathode (tax exclusive) of RMB124,957 per tonne, representing an increase of 17.73% as compared to that in 2020, and the average selling price of copper cathode (tax exclusive) amounted to RMB61,041 per tonne in 2021, representing an increase of 47.24% as compared to that in 2020.

For the year of 2021, the Group recorded an average cost of sales of nickel cathode of RMB63,514 per tonne, representing a decrease of 9.04% as compared to that in 2020, and the average cost of sales of copper cathode amounted to RMB43,541 per tonne, representing an increase of 1.25% as compared to that in 2020.

For the year of 2021, the Group achieved revenue of RMB2,382.4 million, representing an increase of 28.51% as compared to that in 2020, and a net profit of RMB514.3 million, as compared to a net profit of RMB179.2 million in 2020; a comprehensive profit attributable to shareholders of the Company amounted to RMB515.6 million, as compared to a comprehensive profit attributable to shareholders of the Company of RMB151.8 million in 2020, and a profit per share (basic and diluted) of RMB0.233 as compared to a profit per share (basic and diluted) of RMB0.069 in 2020.

Mineral exploration activities: For the year of 2021, Xinjiang Kalatongke Mining Industry Company Limited ("Kalatongke Mining") mainly completed mineral exploration projects such as 11,822 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 2,189 meters of drilling in pit and 5,045 meters of surface drilling. For the year of 2021, the total amount of expenditure that the Group expended on exploration was approximately RMB5.8 million.

CHAIRMAN'S STATEMENT

Mining development activities: For the year of 2021, Kalatongke Mining mainly completed mining development projects, such as construction of 137 meters of various tunnels of 530 mid-segment to 810 mid-segment of No. 1 ore body expansion project, construction of 478 meters of slope road engineering; construction of 1,286 meters of various tunnels of No. 2 ore body expansion project; and construction of 39.2 meters of various tunnels of No. 3 ore body expansion project. Xinjiang Yakesi and Hami Jubao mainly completed mining development projects, such as construction of 2,685 meters wellbores at 150 mid-segment to 450 mid-segment of No. 30 ore body in Huangshan, construction of 840 meters of slope road engineering and 85 meters of various wellbores; construction of 1,178 meters wellbores at 690 mid-segment to 724 mid-segment of No. 17 ore body in Huangshan East and construction of 352 meters of slope road engineering. For the year of 2021, the Group's total expenditure for mining development activities amounted to approximately RMB25.2 million.

Ore mining: For the year of 2021, Kalatongke Mining produced 1,000,120 tonnes of ore, while Xinjiang Yakesi and Hami Jubao produced 1,471,931 tonnes of ore. For the year of 2021, the aggregate expenditures of the ore mining operation of the Group was approximately RMB307.2 million.

Ore processing: For the year of 2021, Kalatongke Mining produced 100,237 tonnes of nickel-copper combined concentrate, while Xinjiang Yakesi and Hami Jubao produced 44,217 tonnes of nickel concentrate and 9,763 tonnes of copper concentrate.

Smelting and refining: For the year of 2021, Kalatongke Mining produced 22,902 tonnes of water hardening and nickel matte. Xinjiang Zhongxin Mining Company Limited ("Hami Zhongxin") produced 9,709 tonnes of water hardening and nickel matte. Fukang Refinery manufactured 12,103 tonnes of nickel cathode and 11,031 tonnes of copper cathode and 131 tonnes of electrolytic cobalt.

Sales: For the year of 2021, the Group achieved revenue from principal businesses of RMB2,301.1 million in total, which comprised RMB1,367.4 million of sales revenue from nickel cathode, accounting for 59.4% of the revenue from principal businesses of the Group; RMB674.6 million of sales revenue from copper cathode, accounting for 29.3% of the revenue from principal businesses of the Group; and RMB259.1 million of sales revenue from other products (including copper concentrate, electrolytic cobalt, gold, silver, platinum and palladium), accounting for 11.3% of the revenue from principal businesses of the Group.

For the year of 2021, the Group continued to conduct the construction of production safety governance and environmental protection facilities management according to the relevant requirements of the State and Xinjiang government regarding production safety and environmental protection improvement. The Group also meticulously organized operation, and tapped into internal potential, resulting in an increase in production volume of nickel cathode and copper cathode, as compared to that in 2020. The overall production and operation of the Group were stable, with no material operation difficulties or operational problems.

Progress of Technological Renovation and Capacity Expansion Projects

For the year of 2021, the technological renovation and capacity expansion projects carried out by the Group mainly included: the technological renovation project involving the enhancement of ore processing and smelting processes and improvement of the mining, ore processing and smelting capacities and improvement on environmental protection of Kalatongke Mining, the technological renovation and capacity expansion project of Fukang Refinery involving the enhancement of the auxiliary facilities to improve the refining capacities of nickel cathode and copper cathode and environmental protection improvement, and the technological renovation and capacity expansion project for the addition of the mining and ore processing capacities of Xinjiang Yakesi. The major technological renovation and capacity expansion projects of the Group proceeded smoothly as a whole in 2021 and the required progress of works was achieved on time during the Year. The investment on each technological renovation project is as follows:

CHAIRMAN'S STATEMENT

For the year of 2021, a total of RMB100.3 million was invested in the further enhancement of the technological renovation and capacity expansion project involving the daily mining capacity of 3,400 tonnes, daily ore processing capacity of 3,000 tonnes, annual production capacity of water hardening and nickel matte of 8,000 tonnes as well as environmental protection improvement of Kalatongke Mining.

For the year of 2021, a total of RMB40.6 million was invested in the further enhancement of the refining capacities of nickel cathode and copper cathode of Fukang Refinery, as well as the technological renovation and capacity expansion project for improvement on environmental protection standards.

As for the technological renovation and capacity expansion project of Xinjiang Yakesi and Hami Jubao in relation to the addition of the daily mining and ore processing capacities of 4,000 tonnes, a total investment of RMB51.1 million was made in 2021.

Safety and Environmental Protection

The Group adheres to the safety and environmental protection policies of "Safety First, Precaution Foremost" and "Equal Emphasis on Both Resources Development and Environmental Protection" earnestly to ensure its production safety and environmental protection. In 2021, the Group achieved its target of production safety. The environmental protection was stringently observed in compliance with the relevant national laws and regulations.

OUTLOOK

Operating Environment

For the year 2022, although there are many uncertainties affecting the recovery and development of the global economy, the Chinese economy has shifted from a fast-growing period to a high-quality development phase where emphasis is placed on the optimisation of economic structure and transformation of development patterns, and will still maintain moderate to robust growth (the Chinese government forecasts the China's GDP growth rate to be approximately 5.5% in 2022). In this regard, the Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market will continue to increase in 2022.

For the year 2022, the Group will strengthen its management, enhance the Group's overall management level and operational efficiency, explore its internal potential, ensure the balanced operation, stabilized production and over-production for the full process of mining, ore processing, smelting and refining of the Group, and maintain stability in the production level of main products – nickel cathode and copper cathode on a period-to-period basis.

Operational Objectives

For the year 2022, the Group plans to produce 9,500 tonnes of nickel cathode, representing a decrease of 19.5% as compared with the planned production of nickel cathode in 2021, and plans to produce 9,228 tonnes of copper cathode for the year 2022, representing a decrease of 18.2% as compared with the planned production of copper cathode in 2021. The expected decrease in production of nickel cathode and copper cathode is mainly contributed by the longer period for the servicing and upgrade of the main equipment of the Group's pyrometallurgical process and the energy conservation upgrade of the system. The impact on the Group is of short duration, and the production capacity of nickel cathode and copper cathode of the Group for the year 2023 is expected to resume to the production level in 2021. Shareholders and potential investors should be cautioned that the above estimates are made on the basis of the current market situation and the existing conditions of the Group and are subject to a number of uncertainties in metal prices, domestic raw materials market and production environment. The Board may adjust the relevant production plan according to the changes of situation.

CHAIRMAN'S STATEMENT

BUSINESS STRATEGIES

Production and Operation

For the year of 2022, as there are more uncertainties that may affect the development of the global economy, the Group will strengthen its research and analysis of the trend of price in the international and domestic nickel cathode and cathode copper markets combining with its actual situation and capital capability and carry out more flexible and proactive marketing strategies. Moreover, the Group will continue to strengthen the upgrading of our production safety and environmental protection facilities and 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.

Project Construction Work

For the year of 2022, the planned investments in the major construction projects of the Group are as follows:

Kalatongke Mining will undergo further enhancement of its daily mining and daily ore processing capabilities of 3,400 tonnes and 3,000 tonnes respectively, annual production of 8,000 tonnes of nickel contents out of the water hardening and nickel matte, as well as automation and technological optimization projects, and the Company expects to invest RMB175.9 million in the plan above for the year 2022.

Fukang Refinery will undergo further enhancement of its refining auxiliary facilities to enhance the refining capacity of nickel cathode and copper cathode as well as automation and technological optimization projects. The Company expects to invest RMB139 million in the plan above for the year 2022.

We plan to invest RMB227.2 million in the technological renovation and expansion project of Xinjiang Yakesi and Hami Jubao in relation to the addition of 4,000 tonnes of daily mining and ore processing capacity for the year 2022.

Mineral Resources Control and Search for Mines by Geological Means

Mineral resources are the fundamental guarantee for the continuing development of a mining company. After all, the control of mineral resources and the search for mines by geological means are the core components of the business development of the Group. The Group places great emphasis on searching for preliminary mining projects with potentials for acquisition, enhances in-depth exploration, extends exploration in the surrounding areas of its existing major mines, and applies effective mine searching methods to achieve effective growth of the mineral resources and reserves of the Group. For the year of 2022, the Group plans to invest RMB19.1 million in in-depth exploration and extension of exploration in the surrounding area of existing major mines resources and search for mines by geological means. In particular, Kalatongke Mining plans to invest RMB7.0 million in exploration. Xinjiang Yakesi and Hami Jubao plan to invest RMB12.1 million in exploration.

CHAIRMAN'S STATEMENT

Mergers and Acquisition

The Company has placed great emphasis on mergers and acquisition of enterprises since its listing. Following the successful acquisition of various mining companies including Xinjiang Yakesi, Hami Jubao, Hami Zhongxin, Shaanxi Xinxin and Hami Hexin Mining Company Limited (in which the Company holds 50% equity interest), the Group's nickel and copper resources and reserves as well as its development and production capacity achieved substantial increase. The acquisitions have further optimized the Group's production chain, strengthened its core competitiveness and uplifted the operational efficiency of assets as a whole. For the year of 2022, the Group will fully utilize its strength to enhance enterprises merger and acquisition, initiate economic cooperation and capture the business opportunities of merger and acquisition in the international and the domestic metal markets. The Group will strive for new breakthrough in terms of mergers and acquisition of enterprises and capital management leading to a new milestone for the Group.

2022 is a year both of opportunities and challenges for the Group. The Group will take more proactive and progressive operating strategies to cope with the complex situation with a number of uncertain factors affecting the development of the global economy, ensuring that the Group can manage to achieve sustained and moderate growth under an operating condition featuring high efficiency and low- cost. Also the Group has abundant resources and reserves, a favorable industry position and a sophisticated management team in the industry to enable us to enjoy sufficient benefits when the world economy further improves. The Group believes that with the great efforts of its staff and the tremendous support from various sectors of the society, the Group will achieve sustained and stable development in 2022.

By order of the Board

Zhang Guohua
Chairman

Xinjiang, the PRC
25 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The COVID-19 pandemic did not have any impact on the Group's operating results during the year. In 2021, the revenue of the Group amounted to RMB2,382.4 million, representing an increase of 28.51% as compared to RMB1,853.9 million in 2020; the comprehensive profit of the Group amounted to RMB514.3 million, representing an increase of 187% as compared to the comprehensive profit of the Group amounted to RMB179.2 million in 2020; the comprehensive profit attributable to shareholders of the Company amounting to RMB515.6 million, representing an increase of 240% as compared to the comprehensive profit attributable to shareholders of the Company amounting to RMB151.8 million in 2020. The increase in the comprehensive profit was primarily due to the increases in market prices of the main products of the Group including nickel cathode and copper cathode, the increase in nickel contents of the ore at the major mines, and the reduction in production costs and expenses due to the optimization of the entire production process of mining, ore processing and smelting, and adopted the marketing strategies of pricing sales combining spot and futures for the purpose of increasing the selling price of products, thereby enhancing the economic efficiency of the Company.

REVENUE AND GROSS PROFIT OF THE PRINCIPAL BUSINESSES

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2021 and 31 December 2020:

Product Name	For the year ended 31 December 2021			For the year ended 31 December 2020			Growth Rate in Amount +/(–)
	Sales volume Tonnes	Amount RMB'000	% to Revenue	Sales volume Tonnes	Amount RMB'000	% to Revenue	
Nickel cathode	10,943	1,367,410	59.4%	11,325	1,201,939	66.2%	13.8%
Copper cathode	11,051	674,562	29.3%	11,218	465,050	25.6%	45.1%
Copper concentrate	10,946	145,799	6.4%	10,279	96,458	5.3%	51.2%
Other products		113,317	4.9%		53,562	2.9%	111.6%
Of which:							
Electrolytic cobalt	194	61,692	2.7%	20	4,509	0.3%	1268.2%
Total revenue from main operation		2,301,088	100.0%		1,817,009	100.0%	26.6%
Cost of sales from main operation		(1,425,487)	61.9%		(1,409,951)	77.6%	1.1%
Gross profit/ Gross margin		875,601	38.1%		407,058	22.4%	

In 2021, the revenue of nickel cathode of the Group amounted to RMB1,367.4 million, representing an increase of 13.8% as compared to that in 2020, mainly attributable to the increase in the selling price of nickel cathode. The average selling price of the Group's nickel cathode in 2021 amounted to RMB124,957 per tonne (tax exclusive), representing an increase of 17.7% as compared to RMB106,136 per tonne (tax exclusive) in 2020. In 2021, the Group's sales volume of nickel cathode was 10,943 tonnes, representing a decrease of 3.4% as compared to 11,325 tonnes in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the revenue of copper cathode of the Group amounted to RMB674.6 million, representing an increase of 45.1% as compared to that in 2020, mainly due to the increase in the selling price of copper cathode. The average selling price of copper cathode of the Group in 2021 was RMB61,041 per tonne (tax exclusive), representing an increase of 47.2% as compared to RMB41,456 per tonne (tax exclusive) in 2020. The sales volume of copper cathode of the Group in 2021 was 11,051 tonnes, representing a decrease of 1.5% as compared to 11,218 tonnes in 2020.

In 2021, the revenue of copper concentrate of the Group was RMB145.8 million, representing an increase of 51.2% as compared to that in 2020. The average selling price of copper concentrate of the Group in 2021 was RMB13,320 per tonne (tax exclusive), representing an increase of 42% as compared to RMB9,384 per tonne (tax exclusive) in 2020. The sales volume of copper concentrate of the Group in 2021 was 10,946 tonnes, representing an increase of 6.5% as compared to 10,279 tonnes in 2020.

In 2021, the revenue of other products of the Group amounted to RMB113.3 million, representing an increase of 111.6% as compared to that in 2020, which was mainly due to the increase of the revenue of electrolytic cobalt by 1,268.2% to RMB61.7 million in 2021 as compared to RMB4.5 million in 2020.

In 2021, the gross profit from the Group's principal business amounted to RMB875.6 million, representing an increase of RMB468.5 million as compared to RMB407.1 million in 2020. The gross profit margin of the principal business was 38.1% in 2021, representing an increase of 15.7 percentage points as compared to 22.4% in 2020.

SELLING EXPENSES

In 2021, selling expenses incurred by the Group decreased by 57.7% to RMB15.5 million, as compared to RMB36.6 million in 2020, mainly due to the reclassification of transportation costs from selling expenses to operating costs to fulfill sales contracts incurred during the year prior to the transfer of control rights of commodities to the customers.

GENERAL AND ADMINISTRATIVE EXPENSES

In 2021, general and administrative expenses incurred by the Group increased by 20.3% to RMB145.6 million, as compared to RMB121.0 million in 2020, which was mainly attributable to the increase in employee remuneration and benefits in 2021 as caused by the preferential policies for social security during the pandemic in 2020 and the newly additional enterprise annuity in 2021.

FINANCE EXPENSES – NET

In 2021, net finance expense incurred by the Group amounted to RMB64 million, representing a decrease in finance expense of RMB33.1 million as compared to RMB97.1 million of net finance expense in 2020, which was mainly due to the cash flow management and timely adjustment to financing scale and financing rate to reduce finance expenses in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

In 2021, shareholders' equity increased from RMB4,432.2 million in 2020 to RMB4,946.4 million, primarily due to the profit for the year 2021. Total assets increased by 1.79% from RMB7,263.3 million in 2020 to RMB7,393.5 million, mainly due to the profit of the Company.

In 2021, the net cash inflow generated from the Group's operating activities amounted to RMB683.0 million, representing an increase in the inflow of RMB330.7 million, as compared to the net cash inflow of RMB352.3 million in 2020. The net cash outflow used in investing activities was RMB130.7 million, which was mainly attributable to acquisition of fixed assets and other long-term assets. The net cash outflow used in financing activities amounted to RMB439.2 million, the cash inflow was mainly attributable to the bank loans and other interest-bearing borrowings received by the Group of RMB1,153 million, and the cash outflow was mainly attributable to the Group's repayment of bank loans and interest of RMB1,590.6 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had total cash and cash equivalents amounting to RMB376.6 million (2020: RMB263.5 million), and the total borrowings of the Group amounted to RMB1,449.0 million (2020: RMB1,851.4 million). As such, the net debts of the Group (total borrowings minus cash and cash equivalents) amounted to RMB1,072.4 million (2020: RMB1,587.9 million) and the gearing ratio (net debts divided by total capital*) was 17.82% (2020: 26.38%).

	As at 31 December 2021	As at 31 December 2020
Current ratio (<i>times</i>)	1.2	1.1
Gearing ratio (<i>net debts/total capital*</i>)	17.82%	26.38%

* Total Capital: net debts + total equity

COMMODITY PRICE RISK

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

FOREIGN EXCHANGE RATE FLUCTUATIONS

The Company's businesses are conducted in RMB. The fluctuations of foreign exchange rate may impact the prices of the international and domestic non-ferrous products, and thus the operating results of the Group. RMB is not a freely convertible currency, and the rates of exchange between RMB and a basket of currencies may fluctuate. Given that the PRC government may adopt further actions and measures against the free trade conducted in RMB, fluctuations in foreign exchange rate have an adverse effect on the Group's net assets, earnings and any dividend declared, which shall be converted or translated into Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL RISK

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

INTEREST RATE RISK

The Group's interest rate risk mainly arises from bank loans and interest-bearing long-term borrowings. Bank deposits and loans at variable rates 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 the prevailing market situation. As at 31 December 2021, the Group's interest-bearing debts were mainly floating rate borrowings and fixed rate borrowings denominated in RMB, which amounted to RMB1,234.0 million (2020: RMB1,483.7 million). The Group has no interest rate swap arrangement.

CHARGE ON ASSETS

As at 31 December 2021, restricted cash at bank amounting to RMB49.2 million, which was in 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, the Group did not have any other charges or pledges over its assets as at 31 December 2021.

HISTORICAL CAPITAL EXPENDITURE

Capital expenditure was primarily used to expand the production capacities of the Group, improve the mining, ore processing, smelting and refining production technology and enhance environmental protection of the Group. The following table sets out the conditions of the Group's capital expenditure as well as the ratio of the capital expenditure of each operation over total capital expenditure for the year ended 31 December 2021 based on various categories of operations:

	Year ended 31 December 2021	
	RMB'000	Percentage %
Mining, ore processing, smelting and complementary operations in Kalatongke Mining	129,495	53.1
Refining and complementary operations in Fukang Refinery	49,160	20.1
Mining and ore processing operations in Xinjiang Yakesi	56,940	23.3
Mining operation in Hami Jubao	228	0.1
Smelting and complementary operations of Hami Zhongxin	1,688	0.7
Research and development of non-ferrous metal industrial products and storage base project of Beijing Xinding	6,605	2.7
Total	244,116	100

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 December 2021, the Group had a total of 2,100 full-time employees. Breakdowns by function and division are as follows:

Division	Employees (Headcounts)	Total (in percentage)
Management and administration	146	6.95%
Engineering technician	234	11.14%
Production staff	1,366	65.05%
Repair and maintenance	255	12.14%
Inspection	81	3.86%
Sales	18	0.86%
Total	2,100	100.0%
Employee remuneration for the year ended 31 December 2021 (RMB '000)		
	326,934*	

* Details of breakdowns as disclosed in note 4(22) to the Financial Statements.

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 the 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, enterprise annuity, medical insurance, unemployment insurance and housing provident funds which the Group must contribute are 16%, 8%, 7.5% to 9.8%, 0.5% and 12%, respectively, of its employees' total monthly basic salary. The Group also contributes 1.04% to 1.52% of its employees' total monthly basic salary for occupational injury insurance.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Qi Xinhui (齊新會), aged 52, has served as an executive Director of the Company since October 2020. Mr. Qi has served as the deputy general manager of the Company since October 2017 and been appointed as the general manager of the Company since January 2021. Mr. Qi studied at Xinjiang Keketuohai Ore Processing Plant (新疆可可托海礦務局), majoring in galvanic pincette from September 1986 to July 1988, studied at Xinjiang Non-ferrous Metal Staff University* (新疆有色金屬職工大學), majoring in mechatronics from August 1993 to July 1996, and studied at Xinjiang University (新疆大學) with a Bachelor's degree, majoring in electrical automation from September 2005 to July 2008. Mr. Qi has accumulated over 32 years of experience in the relevant expertise and corporate management related to the non-ferrous metals industry in Xinjiang. From August 1996 to August 2005, Mr. Qi served as the section chief of smelting workshop, deputy chief of quality inspection department, deputy director of mechanical and electrical division of ore processing workshop, deputy section leader of mobile section, section leader of mobile section and assistant to the head of Kalatongke Copper-Nickel Mine* (喀拉通克銅鎳礦). He was the deputy head of Kalatongke Copper-Nickel Mine* (喀拉通克銅鎳礦) from September 2005 to February 2012, and the deputy general manager of Kalatongke Mining from March 2012 to August 2013, the deputy general manager and the secretary to the Party Committee of Kalatongke Mining from September 2013 to March 2015, and the general manager and the secretary to the Party Committee of Xinjiang Yakesi from April 2015 to September 2017. Mr. Qi served as the deputy general manager of the Company from October 2017 to November 2019, the secretary to the Party Committee and deputy general manager of the Company from December 2019 to December 2020, and has served as the deputy secretary to the Party Committee and general manager of the Company since January 2021.

Mr. Yu Wenjiang (于文江), aged 56, has served as an executive Director of the Company since June 2021, the secretary to the Party Committee of the Company since December 2020 and the deputy general manager of the Company since 6 January 2021. Mr. Yu studied in Keketuohai Technical College (可可托海技工學校) from 1980 to 1982, majoring in mining, and studied in North China University of Technology (北方工業大學) from 1994 to 1997, majoring in economics and trading. Mr. Yu served as a mining technician in the second mine of Xinjiang Keketuohai Mine Bureau (新疆可可托海礦務局) from 1982 to 1985, successively served as a mining technician, chief of workshop, head of labours, manager of sales department, chief of operating management department, head and vice mining head of refractory material plant in Hatu Gold Mine* (哈圖金礦) of Xinjiang Non-ferrous from 1985 to May 2012, served as the general manager of The Western Gold Hami Gold Mine Co., Ltd. (西部黃金哈密金礦有限公司), a wholly-owned subsidiary of Western Gold Co., Ltd. (西部黃金股份有限公司) (Stock Code: 601069) from June 2012 to March 2016, served as the general manager of Western Gold Karamay Hatu Gold Mine Co., Ltd.* (西部黃金克拉瑪依哈圖金礦有限公司), a wholly-owned subsidiary of Western Gold Co., Ltd. (Stock Code: 601069) from March 2016 to March 2017. Mr. Yu also served as the deputy secretary to the Party Committee and the secretary to the Disciplinary Committee of the Company from April 2017 to May 2019 and an employee's representative supervisor and the chairman of the Supervisory Committee of the Company from October 2017 to October 2020. Mr. Yu served as the secretary to the Party Committee and the chairman of Xinjiang Wuxin Copper Co., Ltd. from June 2019 to November 2020.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Zhang Guohua (張國華), aged 57, has served as a non-executive Director and the chairman of the Company since October 2017. Mr. Zhang completed a postgraduate course in science and engineering management at Dalian University of Technology in November 2003. Mr. Zhang has accumulated more than 35 years of relevant professional techniques and corporate management experience in non-ferrous metal industry in Xinjiang. From October 1988 to March 1999, he successively served as the deputy section leader, the section leader of the environmental safety section, the supervisor in mining workshop, an assistant to the head of mine, the chairman of the labour union and the secretary of the communist party committee of the Kalatongke Nickel-Copper Mine* (喀拉通克鎳銅礦). He served as the deputy general manager and general manager of the sales branch of Xinjiang Non-ferrous Metals Industry Co. from April 1999 to February 2002. From March 2002 to August 2005, he served as the head of Kalatongke nickel-copper mine. From September 2005 to March 2015, Mr. Zhang served as an executive Director, the executive deputy general manager and the secretary of the Communist Party committee of the Company. From April 2015 to April 2017, he served as a director, the general manager and the vice secretary of the Party Committee of Xinjiang Non-ferrous, served as the chairman and the secretary of the Party Committee of Xinjiang Non-ferrous since April 2017, and served as the chairman of Western Gold Co., Ltd. (西部黃金股份有限公司) (Stock Code: 601069) from June 2017 to September 2020.

Mr. Zhou Chuanyou (周傳有), aged 57, was re-appointed as a non-executive Director and the vice-chairman of the Company in October 2017. Mr. Zhou served as a non-executive Director and the vice-chairman of the Company from September 2005 to February 2015, and a non-executive Director of the Company from March 2015 to October 2017. Mr. Zhou completed a postgraduate course in law at Fudan University (復旦大學) and obtained a Master's degree in July 1987. Since September 1995, Mr. Zhou has served as the chairman of the board of Shanghai Jinying Investment Company Ltd. (上海金鷹投資有限公司), which is the predecessor of Zhongjin Investment, and is now the chairman of the board of Zhongjin Investment in which he is the beneficial owner of 100% interest. He has served as a director of Shanghai Zhongjin Real Estate (Group) Co., Ltd. (上海中金房產(集團)有限公司) since February 1998 and a director of Shanghai Yilian since May 2005 and is currently the beneficial owner of 100% shareholding of Shanghai Yilian. Shanghai Yilian holds 12.80% shareholding of the Company and Zhongjin Investment holds 8.96% shareholding of the Company. The interest attributable to Mr. Zhou in the Company represents his indirect deemed interest in the Company's issued share capital via his equity interests held in the Company through Shanghai Yilian and Zhongjin Investment. Mr. Zhou has served as deputy chairman of the Board of Dazhong Insurance Co., Ltd. of China (大眾保險股份有限公司) from September 1998 to December 2009. Mr. Zhou is the brother-in-law of Mr. Hu Chengye, another non-executive Director of the Company.

Mr. Guo Quan (郭全), aged 53, has served as an executive Director of the Company since May 2015, and was re-designated as non-executive Director of the Company on 5 June 2020. He studied at the Department of Geology of Northeastern University (東北大學) from September 1986 to August 1989 and obtained a college diploma in geology. He also studied at Beijing Technology and Business University (北京工商大學) from September 2002 to July 2004 and obtained a Bachelor's degree in business administration. Mr. Guo has accumulated over 30 years of relevant professional techniques and corporate management experience in non-ferrous metal industry in Xinjiang. From August 1989 to December 1999, Mr. Guo served various positions in Xinjiang Hami Gold Mine* (新疆哈密金礦) including technician, head of technical division, chief of the mining workshop, and the deputy head of a factory. He was also the general manager of Xinjiang Non-ferrous Xinhai Company Limited* (新疆有色鑫海有限責任公司) from March 2000 to September 2002, the general manager of Xinjiang Non-ferrous Quanxin Construction Company Limited* (新疆有色全鑫建設有限責任公司) from September 2002 to March 2009 and the general manager of Xinjiang Yakesi from March 2009 to September 2013. Mr. Guo became the deputy chief engineer of Xinjiang Non-ferrous from September 2013 to February 2015, the general manager of the Company from March 2015 to 26 November 2019 and the deputy manager of Xinjiang Non-ferrous since 26 November 2019.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Hu Chengye (胡承業), aged 57, has been a non-executive Director of the Company since October 2014. Mr. Hu studied at China Broadcasting and Television College (中國廣播電視大學) from July 1983 to September 1986, majoring in the finance and politics and obtained a college diploma. He completed upgrading courses from junior college student to university student with a major in accounting at Xiamen University and obtained a Bachelor's degree in September 2001. From November 1994 to August 1998, Mr. Hu served as a deputy director of Tianshan Sub-bureau of Urumqi Local Taxation Bureau of Xinjiang (新疆烏魯木齊市地稅局天山區分局). From September 1998 to February 2002, he served as the director of Xinshi Sub-bureau of Urumqi Local Taxation Bureau of Xinjiang (新疆烏魯木齊市地稅局新市區分局). From March 2002 to February 2008, he served as deputy director of the Investigation Bureau of Local Taxation Department in the Xinjiang Uygur Autonomous Region. Mr. Hu served as executive deputy general manager, general manager and chairman (currently acting as the chairman) of Xinjiang Huizhong Yifu Investment Co., Ltd. (新疆匯中怡富投資有限公司) since March 2008. Mr. Hu served as the general manager of Shanghai Hengshi Mining Investment Co., Ltd. (上海恒石礦業投資股份有限公司) since February 2013, the vice-chairman of Xinjiang Baodi Mining Co., Ltd. (新疆寶地礦業股份有限公司) since December 2013, and an assistant president of Zhongjin Investment since February 2014. Mr. Hu is the brother-in-law of Mr. Zhou Chuanyou, another non-executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Benyuan (胡本源), aged 48, has been as an independent non-executive Director of the Company since October 2017. Mr. Hu studied at Xinjiang University of Finance & Economics from September 1991 to July 1995, majoring in accounting and obtained a Bachelor's degree. Mr. Hu studied at Shanghai University of Finance and Economics from September 2000 to January 2003, majoring in accounting and obtained a Master's degree. He studied at Shanghai University of Finance and Economics from February 2004 to January 2007, majoring in accounting and obtained a Doctoral degree. Mr. Hu has been teaching in Xinjiang University of Finance & Economics since 1995, served as the deputy dean of Institute of Accounting of Xinjiang University of Finance & Economics from January 2011 to February 2018, and served as the dean of Institute of Accounting of Xinjiang University of Finance & Economics from March 2018 to January 2020. He is currently serving as a professor and an instructor of doctorate students of Institute of Accounting of Xinjiang University of Finance & Economics and a non-practicing member of the Chinese Institute of Certified Public Accountants. Mr. Hu has been serving as a director of Auditing Education Branch of China Audit Society since November 2011. Mr. Hu has served as independent director in various A Shares listed companies in PRC since 2009, and he served as an independent director of TBEA (Stock Code: 600089) from May 2012 to September 2018, as an independent director of Guanghui Energy Co., Ltd. (Stock Code: 600256) from December 2013 to December 2019 and as an independent director of International Industry Co., Ltd. (Stock Code: 000159) since August 2014. He has served as an independent director of Xinjiang Guannong Fruit & Antler Group Co., Ltd. (Stock code:600251) since December 2018.

Mr. Wang Qingming (王慶明), aged 61, has been an independent non-executive Director of the Company since October 2020. Mr. Wang studied at Xi'an Institute of Geology (now Chang'an University) (西安地質學院(現長安大學)) from September 1979 to July 1983, specialising in Geology and Mineral Resources, and China University of Geosciences (Wuhan) (中國地質大學(武漢)) from September 2003 to December 2005, specialising in metallogenic prognosis, and obtained a Master's degree. He is now a Professor-level Senior Engineer in Geology and Mining. Mr. Wang was the head of projects of Brigade No. 11 of Xinjiang Bureau of Geo-exploration & Mineral Development (新疆地礦局第十一地質大隊) from August 1983 to June 1993, the head of projects of the Xinjiang Research Institute of Geology and Mineral Resources* (新疆地質礦產研究所) from July 1993 to January 1998, successively the project manager, deputy director and chief engineer of the Xinjiang Institute of Geological Survey (新疆地質調查院) from February 1998 to March 2006, and successively the deputy director of the Planning Division and the director of the Reserves Division of the Xinjiang Department of Land and Resources* (新疆國土資源廳) from April 2006 to March 2015. Mr. Wang retired in April 2015.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Lee Tao Wai (李道偉), aged 42, has been an independent non-executive Director of the Company since October 2020. Mr. Lee studied at the Chinese University of Hong Kong from 1997 to 2000, majoring in Business Administration (Professional Accountancy) and obtained a Bachelor's degree with Honours, the Hong Kong University of Science and Technology from 2006 to 2008, majoring in Investment Management and obtained a Master's degree, and the Chinese University of Hong Kong from 2013 to 2015, majoring in International Economic Law and obtained a Master's degree. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants, and has 20 years' experience in auditing, accounting, company secretary services and financial management. Mr. Lee has served as the chief financial officer, independent non-executive directors and company secretary in several Hong Kong listed companies. Currently he is the company secretary of King Stone Energy Group Limited (Stock Code: 663).

EMPLOYEES' REPRESENTATIVE SUPERVISORS

Mr. Shi Keli (史克力), aged 52, has served as the employees' representative supervisor of the Company since March 2021, and the factory head and the secretary of the communist party branch of the concentrator at Xinjiang Kalatongke Mining Industry Company Limited, a subsidiary of the Company since June 2019. Mr. Shi has over 32 years of experience in technology and corporate management in the non-ferrous metal industry. From September 2005 to November 2011, he served as the deputy director and the director of the power workshop of Kalatongke Copper-Nickel Mine. From December 2011 to December 2015, he served as the head of the motive power workshop of Kalatongke Copper-Nickel Mine. From January 2016 to July 2017, he served as the department head of the mechanics division of Kalatongke Mining. From August 2017 to May 2019, he joined the Company as the factory head of the concentrator of Kalatongke Mining. Mr. Shi studied at the Sichuan University of Science and Engineering from September 2007 to July 2010 and majored in electricity and automation.

Mr. Shan Zhengzhong (單正忠), aged 53, has served as an employees' representative supervisor of the Company since March 2021, and the deputy chief engineer and manager of the production technology department at Xinjiang Yakesi Resources Co., Ltd. ("Xinjiang Yakesi"), a subsidiary of the Company, since August 2019. Mr. Shan has over 33 years of experience in technology and corporate management in the non-ferrous metal industry. From May 1988 to August 1994, he served as the furnace manager and team leader at the Kalatongke Copper-Nickel Smelting Workshop. From August 1997 to February 1998, he served as a technician at the Kalatongke Copper-Nickel Refinery. From March 1998 to October 1998, he served as the factory head at the Kalatongke Copper-Nickel Mine Water Glass Factory. From May 1998 to June 2003, he served as the factory head at the Kalatongke Copper-Nickel Mine Active Materials Factory. From June 2003 to September 2006, he served as the deputy factory head at the Kalatongke Copper-Nickel Mine Blister Copper Smelting Workshop. From September 2006 to February 2007, he served as the deputy department head at the Kalatongke Copper-Nickel Smelting Workshop Process Team. From March 2007 to July 2012, he served as a deputy director and chairman of the Labor Union at the smelting workshop of Zhongxin Mining, a subsidiary of the Company. From August 2012 to November 2014, he served as the director and secretary of the communist party branch at the smelting workshop of Zhongxin Mining. From November 2014 to February 2016, he served as the director of the Production Technology Department of Zhongxin Mining. From March 2016 to August 2019, he served as the manager of the Xinjiang Yakesi Production Technology Department. Mr. Shan studied at the Kunming University of Science and Engineering from September 2006 to June 2009 and majored in metalworking.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SHAREHOLDERS' REPRESENTATIVE SUPERVISOR

Mr. Zhong Rubiao (鍾如標), aged 41, has been a shareholders' representative supervisor of the Company since June 2021. He studied in Minzu University of China from September 1998 to July 2002, majoring in taxation, and studied in Jilin University from May 2014 to December 2018, obtaining a master's degree in Engineering Management. Mr. Zhong served as the project investment specialist of Xiamen Software Industry Investment Development Co., Ltd. (廈門軟件產業投資發展有限公司) from July 2002 to May 2003. He served as the financial director of Wuxi project of Lonking Holdings Limited (中國龍工控股有限公司) from June 2003 to September 2005. He joined Zijin Mining Group Company Limited (紫金礦業集團股份有限公司), a company listed on The Stock Exchange of Hong Kong Limited (stock code: 2899) and the Shanghai Stock Exchange (stock code: 601899) in October 2005. He served successively as the accountant of planning and finance department, deputy department head of the human resources department and department head of Guizhou Zijin Mining Group Company Limited (貴州紫金礦業股份有限公司) from October 2005 to October 2009. He served as the principal staff member of the Zijin Mining Group Company Limited from November 2009 to September 2010. Mr. Zhong served as the deputy manager for the human resources department, manager and chief managerial assistant of Zijin Mining Group Northwestern Company Limited (紫金礦業集團西北有限公司) from October 2010 to February 2015, and served as the chairman of the supervisory committee for Xinjiang Heaven Dragon Mining Co., Ltd. (新疆天龍礦業股份有限公司) since March 2015.

INDEPENDENT SUPERVISORS

Ms. Yao Wenying (姚文英), aged 54, has been an independent supervisor of the Company since May 2015 and the Chairman of the Supervisory Committee since April 2021. From September 1986 to July 1990, Ms. Yao studied at Northeast Forestry University where she obtained her Bachelor's degree in Finance and Accounting. From December 2005 to December 2007, she studied at Xinjiang University of Finance and Economics and received her Master's degree in Management with a major in Accounting. Ms. Yao held a teaching post in the School of Business Administration of Urumqi Vocational University from October 1990 to August 2004. She served as Head of Accounting Simulation Teaching and Research Centre and Head of Department of Finance and Economics. She was a teaching staff member in the Department of Finance in Xinjiang College of Finance and Economics (the predecessor of Xinjiang University of Finance and Economics) from September 2004 to August 2007. She has been teaching in the School of Accounting of Xinjiang University of Finance and Economics since September 2007. She was promoted to be Professor of Accounting in December 2010 and currently she is a tutor for PhD students in Xinjiang University of Finance and Economics. She has been serving as independent director of Xinjiang China Enterprise Hong Bang Conservation (Group) Co., Ltd.* (新疆中企宏邦節水(集團)股份有限公司) from July 2012 to May 2018, as independent director of Xinjiang Xingwo Mechanical Technology Service Co., Ltd.* (新疆星沃機械技術服務股份有限公司) from November 2012 to June 2018, and as independent director of Xinjiang Xuefeng Sci-Tech (Group) Co., Ltd (Stock Code: 603227) since January 2015. Since February 2019, she has served as an independent director of Leon Technology Co., Ltd (Stock code: 300603). Since August 2019, she has served as an independent director of Nong 11 Shi Shengtian Investment Co., Ltd. (農十一師盛天投資公司).

Mr. Meng Guojun (孟國鈞), aged 63, has been an independent supervisor of the Company since October 2017. Mr. Meng studied at Xinjiang University from March 1978 to February 1982, majoring in physical geography and obtained Bachelor's degree in science. He completed the Master's degree program in political economics in Xinjiang University in April 2001, obtaining a certificate equivalent to postgraduate qualification. From July 1992 to May 2012, Mr. Meng was successively engaged in the management and research of Xinjiang Uyghur Autonomous Region in the aspects of regional economy, land and resources, environmental protection, energy conservation and emission reduction, circular economy, basic surveying and mapping and development of western region. He was engaged as the development specialist of Xinjiang Kanas National Geopark region in July 2007 and obtained the qualification of auditor for clean production of PRC Environmental Protection Agency in September 2007. From February 2000 to August 2005, Mr. Meng served as the deputy director of Region Division of Xinjiang Uygur Autonomous Region Development and Reform Commission. From August 2005 to May 2012, he served as the senior investigator of Region Division, High-tech Department, Environmental Information Division, Resources and Environment Division, Property Division, Western Development Division of Xinjiang Uygur Autonomous Region Development and Reform Commission. He retired in May 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OTHER SENIOR MANAGEMENT

Mr. He Hongfeng (何洪峰), aged 52, has served as the chief financial officer of the Company since September 2005. Mr. He studied at Xinjiang University of Finance and Economics from September 1988 to July 1992 with a Bachelor's degree, majoring in accounting. He completed a postgraduate course in Business Administration at Xinjiang University of Finance and Economics with a Master's degree in June 2009. Mr. He is a certified accountant, certified valuer and certified tax consultant in the PRC. From July 1992 to August 2005, he worked for Zhongjin Investment. He joined the Company since September 2005.

Mr. Li Zhenzhen (李振振), aged 38, was appointed as the joint company secretary of the Company on 14 October 2020. From September 2004 to June 2008, Mr. Li studied at the Southwest University of Science and Technology, majoring in mining engineering with a bachelor's degree. From March 2014 to December 2016, he studied at Central South University, majoring in mining engineering with a master's degree. Mr. Li successively served as the workshop technician, secretary of the Youth League Committee and deputy director of the A-Xi Gold Mine Deposit from July 2008 to July 2011, and was the head of the mining project of Xinjiang Non-ferrous Metal Research Institute Co., Ltd. from August 2011 to September 2016. From October 2016 to September 2018, he was the head of the mining development department of Xinjiang Non-ferrous Metal Industry (Group) Ltd.* and has been the manager of the securities investment department of Xinjiang Xinxin Mining Industry Co., Ltd.* since October 2018.

Mr. Lam Cheuk Fai (林灼輝), aged 68, has served as the joint company secretary and the qualified accountant of the Company since June 2006. Mr. Lam studied at Hong Kong Polytechnic (the predecessor of Hong Kong Polytechnic University), majoring in accounting during 1975 to 1979 and was awarded a Higher Certificate in Accountancy by the institute. He studied at University of East Asia, Macau from 1985 to 1988 and was awarded with a Master's degree in Business Administration. Mr. Lam is a fellow member of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 30 years of working experience in auditing, accounting, internal control, taxation, company secretarial work and financial management in multinational organisations in the U.S.A., Hong Kong and the mainland China, including: from 1979 to 1985, he worked for Touche Ross & Co. (now known as Deloitte Touche Tohmatsu) in Hong Kong and the U.S.A. and Arthur Young & Co. (now known as Ernst & Young) in Hong Kong. During the period from March 1985 to June 1989, he was appointed as the internal audit manager and the group financial controller of Sime Darby Hong Kong Limited. From January 1990 to June 1993 he was appointed as the vice president of finance of Universal Matchbox Group, Limited, USA, (NYSE: UMG), and from May 1999 to January 2001, he was appointed as the chief financial officer and the company secretary by Magician Industries (Holdings) Limited (now known as Lisi Group (Holdings) Limited) (Stock Code: 526).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Board has adopted the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has fully complied with all the code provisions under the CG Code in the financial year of 2021.

THE BOARD OF DIRECTORS

Functions and Duties of the Board

The Board is responsible for the overall leadership and governance of the Company, and is collectively responsible for directing and supervising the affairs of the Company.

Duties of the Board include deciding on the Company’s business plan and investment scheme, formulating the Company’s profit distribution and loss recovery plan, formulating the Company’s capital expenditure budget, and implementing resolutions as approved by general meetings. The functions of the management are to execute the business plan and investment plan as approved by the Board and to report thereto.

Since 16 March 2012, the Board revised the Company’s corporate governance policy to include the terms of reference of the Board in relation to the corporate governance functions as follows:

- (a) to develop and review the Company’s policies and practices on corporate governance and report to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- (e) to review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

Appropriate Directors’ liability insurance cover has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities. The coverage and the sum insured under the policy are reviewed annually.

CORPORATE GOVERNANCE REPORT

Board Composition

On 14 October 2020, the Board has changed into the sixth session, and currently comprises nine Directors, two of whom is executive Director, four of whom are non-executive Directors and three of whom are independent non-executive Directors. Mr. Yu Wenjiang was appointed as an executive Director on 11 June 2021. Two of our non-executive Directors, namely Mr. Zhou Chuanyou and Mr. Hu Chengye, are brothers-in-law. Save as disclosed herein, there is no financial, business, family or any other relevant relationships among any members of the Board.

There is a strong independent element on the Board, to ensure the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of the Management. The Board possesses, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. In addition, the Board collectively has adequate knowledge and expertise relevant to each of the material business activities that the Company pursues and the associated risks in order to ensure effective governance and oversight.

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business and mining expertise. Brief biographical particulars of the Directors are set out in pages 17 to 20 of this Annual Report.

The Board considers that its diversity is a vital asset to the business. For better corporate governance, the Board has adopted a board diversity policy (the "Policy"). The essence of the Policy is that the Board's appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company remains committed to meritocracy in the Board, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

As at the date of this Annual Report, an analysis of the members of the Board and its composition is as follows:

Executive Directors: Mr. Qi Xinhui, Mr. Yu Wenjiang

Non-executive Directors: Mr. Zhang Guohua (Chairman), Mr. Zhou Chuanyou, Mr. Guo Quan and Mr. Hu Chengye

Independent non-executive Directors: Mr. Hu Benyuan, Mr. Wang Qingming and Mr. Lee Tao Wai

Gender: Male (9); Female (0)

Designation: ED (2); NED (4); INED (3)

Geographic: PRC (8); HKSAR (1)

Age: 40–49 (1); 50–59 (7); 60–69 (1)

Background: Mining (4); Geology (1); Business (2); Accounting Professionals (2)

The Company received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be in compliance with the independence guidelines as set out in Rule 3.13 of the Listing Rules and considers them to be independent according to the provisions of the guidelines.

CORPORATE GOVERNANCE REPORT

Pursuant to Article 106 of the Articles of Association, all of the Directors (including executive, non-executive and independent non-executive Directors) are appointed for a term of three years commencing on the date of their respective appointment or re-appointment and their re-appointment are to be approved in general meetings.

Chairman and Chief Executive Officer

Mr. Zhang Guohua serves as the Chairman (the Chairman of the Board) of the present session (the sixth session) of the Board and Mr. Qi Xinhui currently serves as the general manager (Chief Executive Officer) of the Company. Mr. Qi Xinhui, an executive director of the Company, was appointed as the general manager of the Company on 6 January 2021, for the replacement of Mr. Liu Jun, who resigned on 22 December 2020. The respective responsibilities of the Chairman and the general manager of the Company are provided in Article 119 and Article 138 of the Articles of Association, respectively, and duly separated. For details of the responsibilities of the Chairman and the general manager of the Company, please refer to the Articles of Association uploaded to the websites of the Company and the Stock Exchange.

The Board and Management

The Board is responsible for the approval and monitoring of the Company's overall developmental strategies, annual business plans and investment plans relating to the Company's business development, evaluating the performance of the Company, supervising the management, ensuring the Board acts in the best interest of the Company.

While at all times the Board retains full responsibility for guiding and monitoring the operations of the Group, in discharging its duties, certain responsibilities are delegated to (1) the standing Board committees of the Company namely: the Audit Committee, the Nomination Committee, the Remuneration and Review Committee and the Strategic Development Committee (which was renamed as the Strategy and Sustainable Development (ESG) Committee on 25 February 2022). Each committee's constitution, powers and duties are clearly defined by its terms of reference, and the committees are accountable to the Board; (2) the general manager, being delegated with authorities to manage the daily business of the Group, is accountable to the Board; and (3) the senior management team of the Group, being delegated with the authorities to deal with daily operational functions, is accountable to the Board.

The Board makes decisions on specific issues whereas the management is delegated with authorities to manage and administer the day-to-day affairs of the Company. The Board regularly reviews the extent of the delegated authority to ensure its appropriateness in view of the Company's prevailing circumstances and that appropriate reporting systems are in place.

Board Meetings

The Chairman leads the Board and ensures the Board operate effectively to perform its responsibilities, and to timely discuss key and appropriate issues of the Company. The Chairman is primarily responsible for drawing up and approving of the agenda of each Board meeting, and to include any matters, if appropriate, as proposed by other Directors into the Board meeting agenda. The Chairman has already appointed the secretary to the Board for drafting and circulating agenda for each meeting and relevant meeting materials and documents. With the assistance of the executive Directors and the company secretaries, the Chairman will ensure all Directors are properly briefed on issues arising at board meetings and receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable. Upon reasonable request by any Director, the Board can resolve under proper situation to provide separate independent professional advice, at the Company's expenses, to Directors to assist them to perform their duties to the Company.

CORPORATE GOVERNANCE REPORT

During the Year, the Chairman held one meeting with the independent non-executive Directors without the presence of other executive Directors.

During the year of 2021, eight Board meetings and three general meetings were held, and the details of each of the Directors' attendance record of the meetings (none of the meetings were attended by an alternate director) are as follows:

Name of Directors	Number of meetings attended/ Number of meetings convened during the term of office	
	Board meeting	General meeting
<i>Executive Directors</i>		
Qi Xinhui (齊新會)	8/8	3/3
Yu Wenjiang (于文江) (Appointed on 11 June 2021)	5/5	3/3
<i>Non-executive Directors</i>		
Zhang Guohua (張國華) (Chairman)	6/8	2/3
Zhou Chuanyou (周傳有)	5/8	1/3
Guo Quan (郭全)	8/8	3/3
Hu Chengye (胡承業)	8/8	3/3
<i>Independent non-executive Directors</i>		
Hu Benyuan (胡本源)	8/8	3/3
Wang Qingming (王慶明)	8/8	3/3
Lee Tao Wai (李道偉)	3/8	0/3

The Company has adopted the CG Code and issued a notice fourteen days prior to the regular board meeting to ensure all Directors are given opportunities to include matters in the agenda for the meeting and sufficient time for the preparation of the meeting. All agenda has been sent to the Directors no less than three days prior to the meeting. All matters discussed and resolved during the meetings have been recorded and documented in the board minutes and kept by the secretary to the Board including any matters raised by the Directors and their concerns and opinion. Minutes of board meetings will be open by the secretary to the Board for inspection at any reasonable time on reasonable notice by any director.

Directors', Supervisors', Senior Management's and Key Personnel's Remunerations

The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice of the Company. Directors' and Supervisors' remunerations including discretionary bonus are subject to the approval of Shareholders at general meetings, while senior management's remunerations including discretionary bonus are subject to approval of the Board.

The level of fees paid to non-executive Directors is determined by reference to factors including non-executive Directors' workload and commitments and fees paid by comparable institutions with similar scale and nature.

Regarding Executive Directors and Supervisors, the following factors (including but not limited to) are considered when determining their remuneration packages: (1) business needs, (2) general economic situation, (3) changes in human resources market, (4) individual contributions to results as confirmed in the performance appraisal process, and (5) retention consideration and individual potential.

No individual Director will be involved in decisions relating to his/her own remuneration.

CORPORATE GOVERNANCE REPORT

Information relating to the remuneration of each Director, Supervisor and other senior management for the year ended 31 December 2021 is set out in note 8(5)(j) to the Company's financial statements.

Each of the executive and non-executive Directors does not receive additional director's fee for their role as an executive or non-executive Director. They receive their remuneration (including salaries, bonuses and other benefits) for all their offices and services within the Group (if any) in accordance with the remuneration scale and payment procedures and with reference to the prevailing market rate and the expansion scale of the Company.

Each of the shareholders' representative supervisors and employees' representative supervisor does not receive any supervisors' fee for their role as the supervisor of the Company. They receive their remuneration (including salaries, bonuses and other benefits) for all their offices and services within the Group (if any) in accordance with the remuneration scale and payment procedures and with reference to the prevailing market rate and the expansion scale of the Company.

Directors' Training and Board Committees

All Directors have participated in continuous professional development to develop and refresh their knowledge and skill to ensure that their contribution to the Board remains informed and relevant. The Company is responsible for arranging and funding suitable training, placing appropriate emphasis on the roles, functions and duties of its Directors. All Directors have provided to the Company a record of the training they received during the Year.

The Board currently has four committees, namely the Audit Committee, the Remuneration and Review Committee, Nomination Committee and Strategic Development Committee (which was renamed as the Strategy and Sustainable Development (ESG) Committee on 25 February 2022). Members of these committees and the number of Committee meetings (none of the meetings were attended by an alternate director) and the types of trainings in which all Directors participated in during the Year are as follows:

	Audit Committee	Remuneration and Review Committee	Nomination Committee	Strategic Development Committee	Type of Trainings
<i>Number of meetings</i>	2	3	1	0	
<i>Executive Directors</i>					
Qi Xinhui				0/0✓	A, B, C
Yu Wenjiang (Appointed on 11 June 2021)					
<i>Non-Executive Directors</i>					
Zhang Guohua			1/1◇	0/0◇	A, B, C
Zhou Chuanyou		3/3✓		0/0✓	A, B, C
Guo Quan		3/3✓		0/0✓	A, B, C
Hu Chengye	2/2✓				A, B, C
<i>Independent Non-Executive Directors</i>					
Hu Benyuan	2/2◇	3/3◇			A, B
Wang Qingming		3/3✓	1/1✓	0/0✓	A, B
Lee Tao Wai	0/2✓	0/3✓	0/1✓		A, B

✓: Committee members
◇: Committee Chairman

CORPORATE GOVERNANCE REPORT

- A: attending seminars, conferences and/or expert briefings relevant to the business or directors' duties
- B: reading newspapers, journals and updates relating to the economy, general business or regulatory information
- C: paying visits to the Group's local management and facilities

Terms of Reference of the Company's Audit Committee, Remuneration and Review Committee and Nomination Committee have been posted on the websites of the Company and the Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers ("Model Code") contained in Appendix 10 to the listing Rules as its own code of conduct regarding securities transactions by the Directors and the supervisors of the Company (the "Supervisors"). Having made specific enquiries of all Directors and Supervisors, all Directors and Supervisors have complied with the required standards as set out in the Model Code for the year ended 31 December 2021.

DIRECTOR NOMINATION AND NOMINATION COMMITTEE

The Nomination Committee was established on 16 March 2012 by the Board with specific terms of reference in accordance with CG Code. On 30 August 2013, the terms of reference of the Nomination Committee were revised in accordance with the amendments in the CG Code and approved by resolution of the Board and were posted to the websites of the Company and the Stock Exchange.

The role and function of the Nomination Committee are, among other things, to: (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) assess the independence of the Independent Non-executive Directors; and (d) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

In 2021, the Nomination Committee convened one meeting and attendance rate was approximately 66.7%. Each of the committee members and their attendance record of the meetings are set out in page 27 of this annual report. The summary of work performed by the Nomination Committee during the Year was: reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes to the Board to complement the Company's corporate strategy; nominated and recommended to the Board, candidates for filling the position of the outgoing Independent Non-executive Director; and assessed the independence of each of the Independent Non-executive Directors of the Company.

During the Year, the Nomination Committee adopted the nomination procedures and selective parameters as follows:

Nomination Procedures:

- (i) Identification of candidates

The Nomination Committee has been authorized to identify potential candidates for appointment to the Board through different means and channels, including recommendations from Members, referrals from external search firms, and any other means or channels that it deems appropriate.

CORPORATE GOVERNANCE REPORT

(ii) Request for candidate's information

Once a candidate has been identified, the Nomination Committee will request the candidate to provide his/her biographical information and other information deemed necessary, including but not limited to (a) information on his/her interests in the securities of the Company (if any); (b) his/her consent to act as a board member and disclosure of information relating to his/her proposed appointment; and (c) for an Independent Non-executive Director candidate, his/her declaration of independence in accordance with the criteria under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

(iii) Review by the Nomination Committee

The Nomination Committee will review and take reasonable steps to verify the information obtained from the candidate and seek clarification, where required. The Nomination Committee may, at its discretion, invite any candidate to meet with Committee members to assist them in their consideration of the proposed nomination or recommendation. The Nomination Committee will then submit its nomination proposal to the Board for consideration and approval.

Selective Parameters:

- (i) the strategy of the Company;
- (ii) the structure, size, composition and needs of the Board and its respective Board Committees at the time, taking into account succession planning, where appropriate;
- (iii) the required skills, which should be complementary to those of the existing board members;
- (iv) the Diversity Policy of the Company as adopted/amended by the Board from time to time;
- (v) any information obtained through third party references or background checks;
- (vi) any other factors that may be used as reference in assessing the suitability of a proposed candidate, including but not limited to the candidate's reputation for integrity, accomplishments and likely commitment in terms of time and interest;
- (vii) if a proposed candidate will be holding his/her seventh (or more) listed company directorship, the candidate's ability to devote sufficient time to the Board; and
- (viii) the independence of a candidate proposed to be appointed as an Independent Non-executive Director.

The Nomination Committee has conducted an annual review of the current size, structure and composition of the Board and considered the same is appropriate in light of the Company's strategy. The Nomination Committee also assessed that the Board currently possesses a balanced mix of skills, experience and diversity of perspectives and is appropriate for continuing to support the execution of the Company's business strategies in an efficient and effective manner.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND REVIEW COMMITTEE

The Remuneration and Review Committee was established by the Board on 25 November 2006 with specified terms of reference adopted on 19 January 2007. On 16 March 2012, the terms of reference of the Remuneration and Review Committee were revised in accordance with the amendments in the CG Code and approved by resolution of the Board and were posted to the websites of the Company and the Stock Exchange.

The role and function of the Remuneration and Review Committee are, among other things, to:

- (a) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- (d) make recommendations to the Board on the remuneration of non-executive Directors; and
- (e) make performance appraisal including assessing performance of all Directors and senior management and to monitor the execution of the Company's remuneration system.

In 2021, three meetings of the Remuneration and Review Committee were held with an attendance rate of 80% for each of the three meetings. Each of the committee members and their attendance record of the meetings are set out in page 27 of this annual report. Summary of work during the Year by the Remuneration and Review Committee included:

- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- determined, with delegated responsibility, remuneration packages of senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
- researched the review standards for the Directors' and senior management's remuneration, and made recommendation according to the assessment of the Company's operational situation; and
- researched and reviewed the policies and plans for the Directors' and senior management's remuneration and made performance appraisals including assessing performance of all Directors and senior management.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

On 19 January 2007, the Board resolved and established the Audit Committee with specific terms of reference. The Board believes that members of the Audit Committee have sufficient knowledge and expertise in laws, accounting and financial management to enable them to perform their duties.

On 16 March 2012, the terms of reference of the Audit Committee have been revised in accordance with the amendments in the CG Code and approved by resolution of the Board, and were posted to the websites of the Company and the Stock Exchange.

The role and function of the Audit Committee are, among other things, to:

- (a) be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- (b) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) monitor integrity of the Company's financial statements and annual report and accounts and interim report, and to review significant financial reporting judgements contained in them and to provide advice and comments thereon to the Board;
- (d) review the Company's financial controls, internal control and risk management systems;
- (e) consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and to report to the Board when the Committee notices any irregularities, internal control deficiencies or any non-compliances to any applicable rules, regulations, codes or laws when situation warrants the attention of the Board; and
- (f) ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness.

In 2021, two meetings of the Audit Committee were held with an average attendance rates of approximately 66.7%. Each of the committee members and their attendance record of the meetings are set out in page 27 of this annual report. Summary of work during the Year by the Audit Committee included:

- reviewed the annual report and results announcement of the Company for the year ended 31 December 2020, with a recommendation to the Board for approval;
- reviewed the external auditors' independence and their report, with a recommendation to the Board for the re-appointment of the external auditors by the shareholders of the Company at its 2020 annual general meeting;
- reviewed continuing connected transactions;
- reviewed the interim report and results announcement of the Company for the six months ended 30 June 2021, with a recommendation to the Board for approval;

CORPORATE GOVERNANCE REPORT

- considered the audit and non-audit services provided by the external auditors;
- reviewed the effectiveness of the system of internal control and risk management of the Company and its subsidiaries;
- reviewed periodic reports prepared by the Internal Audit Department;
- reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programme and the relevant budget; and
- reviewed the audit fees payable to the external auditors for the year ended 31 December 2021, with a recommendation to the Board for approval.

AUDITORS' REMUNERATION

For the year ended 31 December 2021, audit fees and non-audit services charged by the auditors of the Company amounted to approximately RMB2.11 million and nil, respectively.

STRATEGIC DEVELOPMENT COMMITTEE

On 19 January 2007, the Board resolved and established the Strategic Development Committee with specific terms of reference. On 25 February 2022, the Strategic Development Committee was renamed as the Strategy and Sustainable Development (ESG) Committee.

The duties of the original Strategic Development Committee were to review and evaluate the strategic development solution, business development plan and investment budget of the Company. The duties of the Strategy and Sustainable Development (ESG) Committee are broadened to include, among others, ESG-related work. The Strategic Development Committee's members perform their duties in accordance with the committee's terms of reference. Each of the committee members and their attendance record of the meetings are set out in page 27 of this annual report.

STRATEGIC SUSTAINABILITY (ESG) COMMITTEE

On 25 February 2022, the "Strategic Development Committee" under the Board of Directors of the Company was renamed as the "Strategic Sustainability (ESG) Committee" (hereinafter the "**ESG Committee**"), with Mr. Zhang Guohua as the chairman and Mr. Zhou Chuanyou, Mr. Guo Quan, Mr. Qi Xinhui and Mr. Wang Qingming as members. A working group is established under the ESG Committee, which is mainly responsible for collection and research of the Committee's work information, implementation of relevant resolutions of the ESG Committee, preparation and coordination of the ESG Committee's meetings, as well as the implementation of ESG-related working arrangements and resolutions of the ESG Committee, formulation of the specific implementation plans of the Company's ESG key performance indicators, compilation of the Company's ESG Report, and coordination and facilitation of the ESG-related work of different departments and subsidiaries. The head of the working group is Mr. Qi Xinhui, general manager of the Company, and the members are Mr. Yu Wenjiang, deputy general manager, Mr. He Hongfeng, chief financial officer, Mr. Li Zhenzhen, secretary to the Board of Directors, and the heads of each department of the Company's headquarters.

CORPORATE GOVERNANCE REPORT

The terms of reference of the ESG Committee have been published on the websites of the Stock Exchange and the Company. The “Environmental, Social and Governance Report” for the year 2021 in this annual report was prepared by the ESG working group and reviewed and approved by the ESG Committee.

SUPERVISORY COMMITTEE

The Company's Supervisory Committee was established in 2005 pursuant to the Company's Articles of Association and has changed into the sixth session on 14 October 2020, still comprising five Supervisors. Mr. Meng Guangzhi resigned as Chairman of the Supervisory Committee on 30 March 2021 and Ms. Yao Wenying was appointed as Chairman of the Supervisory Committee on 12 April 2021. One of the Supervisors was elected by the shareholders as supervisor representative shareholders, two Employees' Representative Supervisors were elected by the employees and two other independent Supervisors were appointed in the shareholders' meeting. Supervisors serve for a term of three years and are subject to re-election. Mr. Shi Keli and Mr. Shan Zhengzhong replaced Mr. Meng Guangzhi and Mr. Li Jiangping as the employees' representative supervisors of the sixth session of the Supervisory Committee of the Company on 30 March 2021. Mr. Zhong Rubiao replaced Ms. Chen Rong as the shareholders' representative supervisor of the sixth session of the Supervisory Committee of the Company on 11 June 2021.

The Supervisory Committee is responsible for exercising supervision over the Board, its members and the senior management; and preventing them from abusing their authorities and jeopardizing the interests of the shareholders, the Company and its employees. Three meetings were held by the Supervisory Committee in 2021, and the average attendance rate was 80%. During the meetings, the Supervisory Committee reviewed the financial conditions and operations of the Company and the due diligence of the senior management. The Supervisory Committee's members perform their duties in accordance with the Company's Articles of Association.

SHARE INTEREST OF SENIOR MANAGEMENT

As at 31 December 2021, none of the senior management of the Company held any share interests in the Company.

COMPANY SECRETARIES

For the year ended 31 December 2021, the two Company secretaries of the Company had received relevant professional trainings of not less than 15 hours to update their skills and knowledge.

CHANGE IN CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2021 and up to the date of this Annual Report, the Company made one amendment to the Articles of the Association to reflect the change of office of the Company. For details, please refer to relevant announcements and circular of the Company. The amended Articles of the Association can be downloaded from the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

PAYMENT OF DIVIDEND POLICY

According to Article 190 of the Company's Articles of Association, when distributing the after-tax profits of the current year, the Company shall allocate 10% of its profit to the Company's statutory common reserve fund. Where the accumulated statutory common reserve fund of the Company has reached more than 50% of the Company's registered capital, no allocation is required. Where the Company's statutory common reserve fund is insufficient to make up the losses of the Company in the previous year, before allocating the profits to the statutory common reserve fund in accordance with the preceding paragraph, the Company shall first make up the losses by using the profits of the current year. After allocating the after-tax profits to the statutory common reserve fund, with the approval of the general meeting, the Company may allocate the after-tax profits to the discretionary common reserve fund. The after-tax profits shall be distributed to shareholders in proportion based on their shareholding after making up the losses of the Company and allocating the profits to the statutory common reserve fund, unless otherwise provided by the the Company's Articles of Association that distribution may be made without being based on the shareholding. If the Company does not have profits, it shall not distribute dividends.

SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

As at 31 December 2021 and up to the date of this annual report, the Company issued 1,451,000,000 shares of domestic shares and 759,000,000 H shares, totalling 2,210,000,000 shares.

In 2021, the Company convened three general meetings. All proposed resolutions were approved with a passing rate of over 99%. The general meetings were chaired by the Chairman of the Board, who explained matters concerning the procedures for voting for shareholders' consideration and the shareholders considered and voted on each proposed resolution. The Directors and Supervisors were notified of and the majority of them attended the general meetings.

The rights and responsibilities of all shareholders are set out in the Company's Articles of Association which was uploaded to the websites of the Company and the Stock Exchange.

Two or more shareholders who hold more than 10% of the issued shares carrying voting right may by written request call for an extraordinary general meeting.

The Company will issue a notice in writing 45 days prior to the general meeting informing all shareholders on the shareholders' register, setting out the proposed matters to be resolved, dates and time of the general meeting. Shareholders wishing to attend the general meeting should send the reply letter to the Company 20 days prior to the general meeting.

Where the Company convenes a general meeting, shareholder(s) who individually or jointly hold(s) more than 3% of shares carrying voting rights may propose to the Board any resolutions in writing; the Board will if it considers appropriate, include the proposed resolutions into the agenda of the general meeting. If the board resolves not to include the proposed resolutions into the agenda, it shall be explained and clarified in the meeting; contents of the resolutions and the Board's explanation shall be set forth in an announcement after the relevant general meeting. Shareholders can make enquiries with the Board and put forward proposals for the general meetings through the Company Secretary via our email at chinese163@qq.com or tommy789hk@163.com, or by posing questions at our general meeting.

The Company communicates with shareholders by issuing annual reports, interim reports, results announcements and other announcements. All relevant information is also listed in the Company's website at kunlun.wsfg.hk.

CORPORATE GOVERNANCE REPORT

Since 2007, the Company has engaged a professional public relations consultancy firm to organise various investor relations programs (including regular briefing meetings with analysts) aiming at increasing the transparency of the Company, enhancing communication with shareholders and investors, increasing their understanding of and confidence in the Group's businesses. It also aims at promoting market recognition of and support to the Company.

The Company recognises the importance of maintaining on-going communications with its shareholders and encourages them to attend shareholders' meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The Secretariat Office and the Corporate Finance and Securities Department of the Board offer comprehensive services to the shareholders and answer their enquiries on a timely basis in order to enhance their understanding of the Company. They also maintain effective communications with the shareholders to ensure that the views of the shareholders will be communicated to the Board. Save as disclosed in paragraphs of the Change in Constitutional Documents above, there were no other changes in the Company's constitutional documents during the year ended 31 December 2021.

As at 31 December 2021, total market capitalisation of the Company was approximately HK\$2,700 million, of which the market capitalisation of public floatation of H shares was approximately HK\$930 million.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control systems of the Group have been designed to safeguard the interest of the Company and its Shareholders as a whole, by safeguarding the assets of the Group, maintaining proper accounting records, executing with appropriate authority and complying with the relevant laws and regulations. The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. Executive Directors and senior management of the Company are conferred with relevant authority to implement the policies relevant to the respective risk management and operational internal control systems and the on-going assessment of the control activities in the relevant business units.

During the Year, the Board has carried out two reviews of the implemented risk management and internal control systems, policies and procedures, in respect of the year ended 31 December 2020 and six months ended 30 June 2021, including areas covering defining management structure and its relevant authorities, confirming the adoption of appropriate Accounting Standards, providing reliable financial information for internal use and announcements and confirming the compliance of relevant laws and regulations as well as supervision of finance, operation and law compliance and risk management functions. The risk management and internal control systems are implemented to minimize the risk to which the Group is exposed and used as a management tool for the day-to-day operation of business. The systems can only provide reasonable but not absolute assurance against misstatement or losses. The Board believes that the present risk management and internal control systems of the Group are effective and adequate to cover the current corporate operations.

The Group has established a risk management system policy. The system involves a self-assessment by senior management of the Company of a series process starting from setting up the business objectives, identifying risk factors, assessing the likelihood of each risk factor, prioritizing risk factors, examining control activities, developing and managing appropriate measures to control the risks within acceptable levels. The Group has established an internal accounting control system. The budget management system and investment management system of the Group contain relevant control procedures formulated for evaluating and reviewing principal operational expenses and capital expenditure. Operational results are reported to the Board with financial analysis on a regular basis.

CORPORATE GOVERNANCE REPORT

The Group has established a specific internal audit department and formulated risk management policy and internal control procedures to ensure the minimum risk exposure by the Group and the comprehensive, accurate and timely record of accounting and management information. Regular reviews are conducted to ensure the risk management system of the Group is in place and that the financial statements are prepared in accordance with the relevant accounting standards, accounting policies and applicable laws and regulations and cover operational effectiveness and risk management of the Group. Annual work plan of audit department is approved by the Supervisory Committee and Audit Committee of the Company.

The Group regularly held managerial meetings chaired by the General Manager. These meetings were attended by the Directors, the senior management, and the responsible members of all departments at the Company's headquarter. Discussions and decisions on the Group's operations and the implementation of investment projects and financial matters are conducted at the meetings. The management of the Company and the department heads at the branch level and headquarter will host regular managerial meetings to assist in the cooperation, communication and supervision of the commencement and execution of all operation projects.

During the Year, the Board reviewed the effectiveness of the risk management and internal control systems of the Group by assessing the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programmes and budget, and considered that the Group had adequate staff resources with the competence, qualifications and experience necessary for the effective performance of its risk management and accounting and financial reporting functions.

DISCLOSURE OF INSIDE INFORMATION

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the Directors, officers and all relevant employees of the Group to ensure proper precautions to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- define the requirements of periodic financial and operational reporting to the Board and Company Secretary to enable them to assess inside information and make timely disclosures, if necessary;
- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public;
- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle inquiries from external parties related to the market rumour and other Group's affairs.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the Stock Exchange's website and the Company's website.

CORPORATE GOVERNANCE REPORT

FINANCIAL REPORTING

The Board was in strict compliance with the provisions as set out in the Listing Rules in relation to financial reporting and disclosure to carry out comprehensive evaluation and disclose the Company's performance, financial position and prospect for the year based on detailed and accurate financial information and other data submitted by the management for the Board's approval. The Directors also undertook the responsibility of preparing the Company's financial statements of the interim and annual reports of the year on a true and accurate basis.

The Directors were not aware of any material uncertainties relating to events or conditions which may constitute significant doubt upon the Group's ability to continue as a going concern.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION AND ESG POLICIES

Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”, together with its subsidiaries, hereinafter collectively referred to as the “Group” or “we”) is the second largest nickel cathode producer in the PRC utilizing nickel sulfide resources and is principally engaged in the mining, ore processing, smelting and refining operations and sales of nickel, copper and other non-ferrous metals. The major product of the Group is nickel cathode. The secondary product includes copper cathode. Cobalt products, gold, silver, platinum and palladium are also produced and derived from the Group’s main production process. The Group is pleased to present its environmental, social and governance report (the “ESG Report”) for the year ended 31 December 2021 (the “Year 2021”). This Environmental, Social and Governance (“ESG”) report summarises the Group’s objectives, plans and performance in relation to environmental, social and governance (“ESG”) and demonstrates our ongoing commitment to sustainable development.

The ESG Governance Structure

As a responsible company, the Group regards ESG commitments as part of our responsibilities and is committed to incorporating ESG consideration into our decision-making process. To achieve this, the Group has developed a framework to ensure that ESG governance is aligned with its growth strategies, while advocating for the integration of ESG into its business operation. The ESG governance structure is made up of two components, i.e. the board of Directors (the “Board”) and the ESG working group (the “Working Group”).

The Board has overall responsibility for the Group’s ESG strategies and reporting, and for supervising and managing ESG-related risks. The Board is also responsible for setting relevant targets. To better manage issues relating to the Group’s ESG performance, the Board, with the assistance of the Working Group, regularly discusses and reviews the Group’s ESG risks, opportunities, performance, progress, targets and specific indicators. At the same time, the Board ensures the effectiveness of the ESG risk management and internal control system.

The Working Group comprises members of the Group’s senior management and heads of departments at the head office. It is committed to facilitating the Board’s supervision of ESG-related issues and is responsible for collecting and analysing ESG data, monitoring and evaluating the Group’s ESG performance to ensure compliance with relevant laws and regulations, and preparing ESG reports. The Working Group arranges regular meetings to discuss and review ESG-related issues, including but not limited to the current performance of the Group, the effectiveness of ESG policies and procedures, ESG performance and the Group’s strategic objectives in relation to sustainable development. The Working Group will report regularly to the Board to assist the Board in discharging its responsibilities of supervision.

SCOPE OF REPORTING

In compliance with the updated reporting requirements of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group has carefully assessed its business entities and operations against the materiality criteria, taking into account its principal activities and major sources of income. The scope of The ESG Report covers the Group’s Company and its subsidiaries in the People’s Republic of China (the “PRC”).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Framework

The ESG Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Reporting Guidelines”) set out in Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “Listing Rules”). The Group has complied with all the “Comply or explain” requirements set out in the ESG Reporting Guidelines. It does not include corporate governance, which is disclosed in the Company’s annual report in accordance with Appendix 14 of the Main Board Listing Rules.

Information on the Group’s corporate governance structure and practice is set out in the Corporate Governance Report in this annual report.

The Group has placed a high priority on materiality, quantification, balance and consistency in the preparation of the ESG Report and the Group has applied the following reporting principles in accordance with the above ESG Reporting Guidelines:

Materiality: Materiality issues were identified through a materiality assessment in 2021 and the identified materiality issues have been used as the focus for the preparation of the ESG Report. The materiality of the issues has been reviewed and confirmed by the Board and the Working Group. Please refer to the Materiality Assessment section for further details.

Quantitative: The criteria and methodology used to calculate the relevant data for the ESG Report and the assumptions applied have been disclosed. Where applicable, the disclosure of key performance indicator data is supplemented in the notes for benchmarking purposes.

Balance: The ESG Report has been prepared in an objective and impartial manner to ensure that the information disclosed truly reflects the overall ESG performance of the Group.

Consistency: The statistical methods used in this ESG Report are generally consistent with those of the previous year, with explanations given for changes in the scope of disclosure and calculation methods. Any changes that may affect comparisons with previous reports will be described in the corresponding sections of this ESG Report.

The ESG Report has been subject to the Group’s internal review process and approved by the Board.

Reporting Period

This ESG Report describes the Group’s ESG activities, challenges and initiatives taken during the year ended 31 December 2021.

Stakeholder Engagement

The Group values the participation of stakeholders and their feedback on business and ESG issues. To proactively understand and respond to their key concerns, the Group maintains close communication with its key stakeholders. Key stakeholders include, but are not limited to, shareholders and investors, customers, suppliers, employees, government and regulatory bodies, non-governmental organisations (“NGOs”), trade associations and the communities in which they operate.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In developing its operational and ESG strategies, the Group considers the expectations of stakeholders by adopting a diversified engagement approach and communication channels, as described below.

Key Stakeholders	Expectations and concerns	Communication channels
Shareholders and investors	<ul style="list-style-type: none"> • Return on investments • Corporate governance • Business compliance • Protection of the voting rights of shareholders and investors • Appointment of directors 	<ul style="list-style-type: none"> • Annual general meeting • Financial Report • Announcements and circulars
Customers	<ul style="list-style-type: none"> • Quality products and services • Protection of customers rights 	<ul style="list-style-type: none"> • Customer service hotline • Customer satisfaction survey
Suppliers	<ul style="list-style-type: none"> • Supplier Selection • Sustainable supply chain 	<ul style="list-style-type: none"> • On-site audit management system • Supplier management meetings and events
Employees	<ul style="list-style-type: none"> • Improvement of the policies of manufacturing companies • Employee remuneration and benefits • Training management 	<ul style="list-style-type: none"> • Forms and suggestion collection boxes for employees • Regular meetings to communicate with the management (such as email correspondence and phone calls) • Intranet • Site visit • Job performance evaluation
Government and regulatory authorities	<ul style="list-style-type: none"> • Compliance with laws and regulations • Support for high-technology enterprises and company products 	<ul style="list-style-type: none"> • Legal Adviser
NGO, industry chamber of commerce and communities	<ul style="list-style-type: none"> • Involvement in communities • Business compliance • Environmental protection awareness 	<ul style="list-style-type: none"> • Community investment plan • ESG

The Group is committed to working with its stakeholders to improve the Group's ESG performance, in order to create greater value for the community on a continuous basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

The management and staff of the Group's principal operation are involved in the preparation of the ESG Report to assist the Group in reviewing its operation, identifying relevant ESG issues and assessing the importance of these issues to the Group's business and various stakeholders. The Group has prepared questionnaires on the identification of important ESG issues to collect information from the Group's management, general staff and consultants.

The Group has reviewed the feedback and findings of the stakeholders and identified key ESG issues. Based on their relative importance, the Group's key ESG issues are summarised below:

The ESG Reporting Guide

Significant ESG Issues

Environmental

A1. Emissions	Emission Management
A2. Use of Resources	Waste Management
	Energy
	Water
A3. The Environment and Natural Resources	Reduction of Resource Consumption
	Reduction of Waste Emissions
A4. Climate Change	Climate Change Management

Social

B1. Employment	Employee Practices
B2. Health and Safety	Health and Safety
B3. Development and Training	Development and Training
B4. Labour Standards	Labour Standards
B5. Supply Chain Management	Supply Chain Management
B6. Product Responsibility	Health and Safety
	Customer Privacy Protection
	Product Quality and Safety
B7. Anti-corruption	Anti-corruption
B8. Community Investment	Corporate Social Responsibility

During the year 2021, the Group confirmed that it had established appropriate and effective management policies and internal control system on ESG issues and that the disclosures are in compliance with the requirements of the ESG Reporting Guidelines.

Contact us

The Group welcomes comments and suggestions from stakeholders. Your comments on this report or on the Group's performance in terms of sustainability are valuable and should be addressed to No. 501, Fusion South Road, Xinjiang Urumqi Economic and Technological Development Zone.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A ENVIRONMENT

A1 Emissions

A1(a) Policy: The wastes disposed of by the Group were mainly waste mining rocks, mineral processing tailings, water quenched slag, exhaust gas emissions and greenhouse gas emissions. In the process of waste disposal, the Group mainly complied with revised laws and regulations including the Law on Mineral Resources of the PRC 《(中華人民共和國礦產資源法)》, Environmental Protection Law of the People's Republic of China 《(中華人民共和國環境保護法)》, the Law on Environmental Impact Assessment of the People's Republic of China 《(中華人民共和國環境影響評價法)》, Atmospheric Pollution Prevention and Control Law of the People's Republic of China 《(中華人民共和國大氣污染防治法)》, the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the PRC 《(中華人民共和國固體廢物污染環境防治法)》, Environmental Protection Regulations of Xinjiang Uygur Autonomous Region 《(新疆維吾爾自治區環境保護條例)》 and the Standard for Pollution Control on General Industrial Solid Waste Sites (GB18599-2001) 《(一般工業固體廢物貯存、處置場污染控制標準)》 (GB18599-2001)), the Comprehensive Emission Standard of Atmospheric Pollutants (GB16297-2004) 《(大氣污染物綜合排放標準)》 (GB16297-2004)), the Industrial Emission Standard of Pollutants for Copper, Nickel, Cobalt (GB25467-2010) 《(銅、鎳、鈷工業污染源排放標準)》 (GB25467-2010)), and other relevant laws, regulations and policies published by the State Council for preventing air, water and soil pollution.

A1(b) Information on compliance with relevant laws and regulations: The Group strictly complied with the stipulations of the aforementioned laws, regulations and policies to improve the recycling and utilization of the wastes and strive to decrease the wastes disposal. In 2021, there was no material violation of relevant codes, rules and regulations by the Group.

A1.1 Types of emissions and related emission data: In 2021, the Group disposed waste mining rocks of approximately 481,600 tonnes, mineral processing tailings of approximately 2,137,100 tonnes, smelting water quenched slag of approximately 313,000 tonnes, exhaust gas emissions of approximately 80.76 tonnes, greenhouse gas emissions of approximately 384.03 tonnes, among which the disposed waste mining rocks, disposed mineral processing tailings and water quenched slag were non-hazardous waste, while the emitted smelting sulfur dioxide gas was hazardous waste.

A1.2 Total amount of direct (scope 1) and energy indirect (scope 2) greenhouse gas emissions and intensity:

Tailings

In the process of mining operation, the mineralized rock (i.e. ore) shall be used and reduced in size to recycle economic minerals. When the ore is treated or processed by crushing, grinding, separation, selection and flotation, the residual materials are called tailings. Tailings are mainly composed of ore rock particles (usually the size of fine sand and silt) as well as process reagents and water. The most common practice is to allow the tailings slurry to recycle process reagents and water through a highly efficient thickener or filter system, which is then hydraulically or mechanically transported to the engineering Tailings Storage Facility (TSF). There are great differences between different TSF designs, capacities, operation methods and other factors, but the purpose is to store tailings safely and efficiently, and tailings usually require permanent storage. The construction and expansion of one or more TSF are usually continuous processes throughout the mining operation period.

The Group is fully aware of the importance of responsible tailings management, and will continue to improve relevant standards to reduce risks. The Company has created and continuously improved projects design, safety and environmental management plans, to ensure that the relevant risks to the community, environment and operations caused by tailings can be minimized.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2021, the Company continued to strengthen the risk prevention and control of tailing reservoir, and comprehensively improved the ability of safety risk management and control of tailings storage. The Company completed the formulation of tailings storage safety risk control plan in accordance with the requirements, and carried out a number of investigation and control actions on continuous tailings storage potential risks in accordance with the Notice on Commencing Comprehensive and In-depth Large-scale Investigation of Production Safety in non-Coal Underground Mines and Tailings Storage issued by the National Mine Safety Administration (Mine Safety [2021] No.10). The Company entrusted a quality inspection institution with corresponding qualifications to carry out a comprehensive quality inspection of drainage structures, such as drainage wells, drainage chutes, drainage pipes, drainage tunnels and arch (cover)plates in accordance with the principle of "all inspections should be carried out as much as possible", and form image data and quality inspection report.

Exhaust gas emissions

The main sources of exhaust gas are nitrogen oxides (NO_x) and sulfur oxides(SO_x) produced by industrial production.

Total amount of exhaust gas emissions	2021(tonne)	2020(tonne)	2019(tonne)
Nitrogen oxides (NO _x)	36.31	82.06	144.78
sulfur oxides (SO _x)	44.45	60.74	66.02
Total	80.76	142.80	210.80

Greenhouse gas emissions

The Group's direct greenhouse gas scope 1 emission is mainly from the combustion of coal, diesel and petrol. The Group's total greenhouse gas emissions calculated by the carbon dioxide equivalent emissions in 2021 were approximately 384 kilotonnes, with densities of nickel and copper of 16.20 tonnes/tonne treatment volume (nickel) and 8.43 tonnes/tonne treatment volume (copper), respectively.

Total amount of greenhouse gas emissions	2021 (kilotonne)	2020 (kilotonne)	2019 (kilotonne)
Scope 1 emissions	187.86	187.24	201.93
Scope 2 emissions	196.17	197.05	206.24
Total emissions	384.03	384.29	408.17

Intensity of greenhouse gas emissions	2021 (tonne/tonne treatment volume)	2020 (tonne/tonne treatment volume)	2019 (tonne/tonne treatment volume)
Nickel	16.20	19.73	21.00
Copper	8.34	9.50	11.10

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1.3 & A1.4 Total amount and intensity of hazardous and non-hazardous waste produced:

Waste	Amount in 2021 (kilotonne)	Intensity (tonne/tonne treatment volume)	Recycling and utilisation percentage (%)
Non-hazardous waste	2,931.17	1.23	100
Harzardous waste	0.04445	/	/

A1.5 Emission targets and steps adopted to achieve these targets:

Emissions target

In 2022, the emission control target of sulfur dioxide, the hazardous waste of the Group, is 0.04435 kilotonne, and the emission target of non-hazardous waste is 2,860 kilotonne, among which waste rock discharge is controlled to 450 kilotonnes, tailings is controlled to 2,100 kilotonnes, smelting water slag is controlled to below 310 kilotonnes.

Emissions management

The emission of sulfur dioxide gas by the smelting plants of the Group was recycled by the auxiliary comprehensive recycling and utilisation facilities. With those facilities, the plants disposed sulfur dioxide gas with “double conversion and double absorption” method to fully recycle sulfur dioxide in the sulfur dioxide gas and used them to produce by-product of sulphuric acid for sale. The elimination rate of the sulfur dioxide in the sulfur dioxide gas by such facilities was 99.0% to 99.6%. As a result, the emission of sulfur dioxide gas was in accordance with the emission requirements stipulated by the national standard of Industrial Emission Standard of Pollutants for Copper, Nickel, Cobalt (GB25467–2010) and other relevant policies. The Group's treatment facilities for the new flue gas ring set system will be put into operation in April 2022, and stable operation will be ensured. The Group will increase the treatment capacity of sulfur dioxide to ensure stable and low concentration of sulfur dioxide emissions. Moreover, recycling and utilisation facilities were built by Kalatongke Mining, the principal mining enterprise of the Group, to dispose water quenched slag and mineral processing tailings, and use them for underground filling of stope, which could fully discover the use value of waste and decrease the waste disposal.

The waste mining rock of the Group was used for underground filling of mines and road paving after being crushed. The remaining waste was stockpiled in special waste rock plants which met the requirements of environmental protection. Some of the mineral processing tailings were transported for underground filing of stope after being partly disposed. The remaining mineral processing tailings was stockpiled in the dedicated mineral tailing facilities which met the requirements of environmental protection. The sulfur dioxide in the smelting gas was recycled for producing by-product of sulphuric acid, and the other solid smoke and dust was all recycled for use. Some of water quenched slag generated from smelting and production were provided to surrounding cement plants as correction agent for producing raw materials of cement, and the remaining water quenched slag were used for underground filing of stope. After purification and treatment, waste water was used for industrial cyclic utilization and the green irrigation in the enterprise. The Group's disposal and utilization rate of industrial waste reached 100% through the aforementioned measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Wastes management

The wastes of the Group were mainly waste rocks, tailings and smelting water quenched slag generated in mining, ore processing, smelting, refining activities. In 2021, the Group produced approximately 481,600 tonnes of waste rocks, 2,137,100 tonnes of tailings and 313,000 tonnes of smelting water quenched slag. Compared with 2020, these three figures all decreased, mainly due to the annual change of the decrease in the overall smelting feed caused by the fact that part of waste rocks sales, part of tailings and water quenched slag were used for underground filling, and the unsaturated production in the nickel/copper ore processing plant construction and the optimisation of the process reagents led to the decrease of concentrate moisture. The Group managed these wastes in accordance with the applicable laws and standards. The design and construction of storage facilities aim to reduce the risks in relation to safety and environmental impact to the largest extent.

A1.6 Methods to dispose of hazardous and non-hazardous wastes and the waste reduction targets formulated and the steps taken to achieve these targets: The wastes generated by the Group's business were classified into non-hazardous wastes and hazardous wastes. The targets of waste reduction of the Group in 2022 are: disposal of non-hazardous wastes decreases by 71.17 kilotonnes, and disposal of hazardous wastes decreases by 0.0001 kilotonnes. Waste mining rocks, mineral processing tailings and smelting water quenching slag disposed of by the Group were non-hazardous wastes, while the emitted smelting sulfur dioxide gas was hazardous waste. The Group managed the wastes generated by its business activities in order to minimise the total amount of waste disposal. The Group not only treated and utilised the wastes in accordance with the fixed approval process, but also transferred the wastes to qualified units for disposal. According to the characteristics of the wastes and whether they needed to be recycled for use, the recycled waste would be disposed of on site or off site.

A2 Use of resources

In respect of effective use of resources (including energy, water and other raw materials), the Group strictly implemented the Law on the Water Resources of the PRC (《中華人民共和國水法》), the Law on Power Generation of the PRC (《中華人民共和國電力法》), the Law on Energy of the PRC (《中華人民共和國能源法》), the Law on Energy Saving of the PRC (《中華人民共和國能源節約法》) and other relevant laws and regulations. The Group has managed the use of its resources in a responsible manner, and worked hard to minimise the generation of wastes.

Energy

A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity:

The Group, when conducting massive mining and processing, requires consumption of enormous amounts of energy. We obtain energy both by direct way of burning, such as diesel and petrol, and by indirect way of procurement of power and coal. In addition, the Group has taken full advantages of practical opportunities to support the energy-saving technology transformation project by encouraging each unit to optimise energy structure, and proactively adopting new technologies, techniques and equipment for clean energy and highly-efficient energy use, so as to achieve the target of energy conservation and establish a sound energy consumption platform for the Company. In 2021, the Group recorded the total energy consumption of 954,298.7 MWh, with total energy consumption intensity of 0.348 MWh/tonne treatment volume.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy consumption	2021 (MWh)	2020 (MWh)	2019 (MWh)
Direct energy consumption	308,596.47	300,146.88	292,662.64
Indirect energy consumption	644,652.08	707,330.98	781,302.25
Total energy consumption	954,298.7	1,009,473.96	1,089,158.91

Total direct energy consumption by type	Percentage of 2021(%)
Coal	96.71
Diesel	1.61
Petrol	0.014
Others	1.666

Total indirect energy consumption by type	Percentage of 2021(%)
Procured electricity	60.88
Coal	39.12

Water resource

A2.2 Water consumption in total and intensity:

In 2021, the total amount of water consumed by the Group was 5,814,700 m³.

Total amount of water consumption (10,000 m ³)			Water consumption intensity (m ³ /tonne treatment volume)		
2021	2020	2019	2021	2020	2019
581.47	625.16	664.5	2.124	2.323	2.279

A2.3 Energy use efficiency target(s) set and steps taken to achieve them:

As the Group is committed to protecting surface water and groundwater systems, a variety of water resources management technologies and strategies have been applied in production processes at each site, with an aim to comply with laws and regulations as well as minimise the environmental impacts. In respect of wastewater and sewage generated from the production process, the Group has implemented a holistic and process-oriented water management from the stage of production, discharge and treatment, in accordance with the requirements on administration of corporate ecological environment under the Water and Soil Conservation Law of the People's Republic of China (《中華人民共和國水土保持法》), Water Law of the People's Republic of China (《中華人民共和國水法》), Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

At the stage of production design, the Group has made provisions for wastewater diversion projects and water conservation projects, stating that its production and operation units shall continue to establish and improve wastewater diversion projects during the production and construction process to reduce the amount of wastewater generated. At the stage of production operation, the Group has reduced the amount of water wastes discharged by constant renovation of water conservation techniques and enhancement of repeated utilisation rate of industrial water. At the stage of discharge management, provisions have been set out by the Group to regulate wastewater outfall, amount and concentration of discharge. In terms of outfall management, all mines and smelters of the units under the Company achieved non-external discharge of wastewater, and discharge of ore dressing wastewater into tailing ponds for purification and reuse. The concentration of discharged polluted water shall not exceed the discharge concentration limits stipulated by the State, local or industry, and the region where each production unit is located (such as Fuyun county in the Altai region where Karatunk Mining is located) has implemented the requirements of total control of key water pollution discharge. In 2021, Karatunk Mining completed the construction of the smelting industrial wastewater treatment project, and the Fukang Smelter completed the air compressor circulating water piping renovation project, with daily conservation of 20 to 30 m³ water upon the renovation.

At the stage of pollution treatment, the Group has set out requirements that the existing wastewater treatment facilities of each production and operation unit under the Company shall ensure long-term effective operation to meet the discharge standards. In 2021, there were no problems with the quality or quantity of water used by the production and operation units of the Company and all of the wastewater have met the discharge standards.

The Group did not have any outstanding plans for effective energy use and results achieved therefrom.

A2.4 Whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them: The Group did not have problems in seeking appropriate water resources. The existing supply of water resources could satisfy the Group's needs in the aspects of volume, quality of water and the guarantee of water supply facilities. In 2021, the Group saved water of approximately 436,900 tonnes in total through carrying out measures of reduction in water consumption, recycling and utilisation of industrial waste water, etc. in major water consumption process including mineral processing and smelting. In 2022, the Group plans to use a total of 5.728 million tonnes of water. In order to meet the target, the Group will take the following measures: vigorously promote water conservation and prevent leakage, improve the utilization rate of tailing reservoir water and reduce the amount of new water; adjust the circulation of water quantity in scientific and reasonable manner to reduce evaporation; strengthen management to recycle condensed water; increase sewage treatment and improve the utilization rate of recycled water.

A2.5 Total packaging material, with reference to per unit produced:

All of the packing material used by the main products of the Group including nickel cathode, electrolytic cobalt and cathode copper were steel belts used for packing.

packaging material	2021	2020	2019
steel belts (tonne)	40.1	45	25
Single consumption (tonne/kg)	1.72	1.96	1.26

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A3 The environment and natural resources

The Group pursues the best practice in relation to the environment and places emphasis on the impact of its operations on the environment and natural resources. The Group also incorporates the concept of environmental protection into its internal management and daily operation to achieve the goal of environmental sustainability. The main resources used in the daily operation of the Group are electricity, coal, petrol and diesel, which are described in the section "Use of Resources" in A2. In addition, the Group does not use significant amounts of other natural resources. The Group places a high priority on environmental impacts and the depletion of natural resources and aims to identify and mitigate these impacts by integrating sustainability into all the Group's activities. The Group conducts assessments of potential environmental impacts to understand how well footprints are identified, measured and managed at that level. Stringent procedures are in place at the Group's production facilities to prevent tailings from leaking or spilling into the environment. The Group conducts emergency planning and drills to reduce the risk of accidents and maintain business continuity.

A3.1 Significant impacts of activities on the environment and natural resources and the actions taken to manage them:

The Group is an enterprise producing and processing nonferrous metals and mineral products. In the process of producing nickel cathode and cathode copper products, the Group consumed mineral resources and used natural resources including the land, and generated waste which may affect the environment to some extent. The Group legally obtained and used natural resources strictly pursuant to the requirements of the relevant laws and regulations including the Law on Mineral Resources of the PRC 《(中華人民共和國礦產資源法)》, The Land Administration Law of the PRC 《(中華人民共和國土地管理法)》, the Environmental Protection Law of the PRC 《(中華人民共和國環境保護法)》. Therefore, the Group consistently increased its capacities on comprehensive recycling and utilisation of natural resources, decreased the natural resources consumption and the disposal of various kinds of waste, and reduced the material influence of the Group's operation to the environment and natural resources.

The Group is devoted to the corporate philosophy of preservation of resources of all personnel, reduction of waste disposal and protection for the ecological environment. The Group increased investment in new skills and techniques and improved the technical skills of the enterprise. Moreover, it formulated incentive policies and concrete measures of comprehensive use of resources, technological innovation, energy saving and emission reduction. Through consistently promoting the enterprise to achieve effective utilisation and saving resources as well as environment protection pursuant to the laws, the environment of mining plant areas were constantly greened and improved and put on the path of sustainable healthy development.

A4 Climate Change

The Group recognises the importance of identifying and mitigating significant climate-related issues and is therefore committed to managing potential climate-related risks that may affect the Group's business activities. The Group has a risk management policy in place to identify and mitigate different risks, including climate-related risks. The Board meets regularly and works closely with the key management to identify and assess climate-related risks and develop strategies to manage the identified risks.

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A4.1 Significant climate-related issues which have impacted, and the actions taken to manage them:

Since the beginning of the 21st century, the impact of climate change on human society and natural systems has become increasingly notable, gradually expanding in scale and scope and increasing in frequency, which poses tremendous challenges to human society. In response, many countries around the world have made significant commitments and efforts to address the climate challenge. In 2020, China announced that it would strive to achieve carbon peaking by 2030 and carbon neutrality by 2060. In compliance with the Guiding Opinions of the State Council on Accelerating the Establishment of a Sound Economic System with Green, Low-carbon and Circular Development (No. 4 [2021] of the State Council) (《國務院關於加快建立健全綠色低碳循環發展經濟體系的指導意見》(國發[2021] 4號), and in order to achieve the Group's requirements for more rational allocation of energy resources, substantial increase in utilisation efficiency and significant reduction in carbon emission intensity, the Group has taken the lead in making breakthroughs by optimising its energy structure, improving energy utilisation efficiency, focusing on energy conservation and environmental protection, clean production and clean energy, promoting in-depth technological innovation, model innovation and management innovation, making continuous investment and gradually increasing the proportion of renewable energy to tackle climate challenges.

B SOCIETY

Employment and labour practice

B1 Employment: Policies and regulations principally adopted by the Group in respect of compensation and dismissal, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination and other benefits and welfare are as follows:

B1(a) Policies:

1. Remuneration of employees is determined by the Group in accordance with the requirements under the Remuneration Policy of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司工資制度》);
2. Employees are recruited, promoted and dismissed by the Group pursuant to Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Employment Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and in compliance with Administrative Measures on Recruitment and Employment Contract of Employees of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司員工聘用及勞動合同管理辦法》);
3. Working hours of our employees strictly comply with the requirements in the Employment Contract Law of the People's Republic of China by following a working system that provides 8-hour work day and 40-hour work week with Saturday and Sunday off and public holidays;
4. The Group provides paid leaves for employees in strict compliance with the Regulation on Paid Annual Leave of the Employees (Decree No. 514) (《職工帶薪年休假條例》) issued by the State Council of the People's Republic of China;
5. Under the Staff Recruitment Policy of Xinjiang Xinxin Mining Industry Co., Ltd. (《新疆新鑫礦業股份有限公司員工招聘規定》), identical qualification requirements are offered to college graduates and working professionals while candidates have equal opportunity in the process of staff recruitment;

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6. The Group implements the Special Regulations on Labour Protection for Female Employees (《女職工勞動保護特別規定》), takes measures to improve the labour health and safety conditions of female employees, provides training to female employees on labour health and safety, and complies with the regulations on the scope of work performed by female employees.
7. Regarding the diversity of employees and other benefits and welfares, varieties of benefits and welfares are provided to all the staff by the Group pursuant to the requirements as stipulated by local governments of places where our enterprises are located, including endowment insurance, medical insurance, unemployment insurance, work-related injury insurance and housing provident funds which are equivalent to 16%, 7.5% to 9.8%, 0.5%, 1.04% to 1.52% and 12% of monthly basic salary respectively.
8. Anti-discrimination is currently not explicitly provided for in Chinese law. Nevertheless, the Anti-Employment Discrimination Law has been called for to be included in the national legislative plan as soon as possible. Some of the principles of anti-discrimination have been already reflected within the existing laws and regulations, such as the Labour Law, the Law on the Protection of Women's Rights and Interests, the Law on the Promotion of Employment and the Labour Contract Law.

B1(b) Compliance with relevant laws and regulations with significant impact: Laws, regulations and relevant policies of the Company mentioned above were strictly followed by the Group with an aim to provide a favorable working environment for all of our staff. In 2021, there was no material violation of relevant codes, regulations and rules in the Group.

B1.1 Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region

As of 31 December 2021, the total workforce of the Group by gender, employment type, age group and geographical region is set out as follows:

Geographical region	Gender (person)		Employment type (person)		Age group (person)		
	Male	Female	Labor contract	Other kinds	below 35 years old	35 to 50 years old	Over 50 years old
China (Mainland) Xinjiang	1,771	328	2,099	–	855	801	443
China (Hong Kong)	1	–	1	–	–	–	1
Number of employees	1,772	328	2,100	–	855	801	1
Total number of employees	2,100		2,100		2,100		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B1.2 Employee turnover rate by gender, age group and geographical region

In 2021, the employee turnover rate of the Group by gender, age group and geographical region is set out as follows:

Geographical region	Gender (person)		Age group (person)		
	Male	Female	below 35 years old	35 to 50 years old	Over 50 years old
China (Mainland) Xinjiang	125	21	114	24	8
China (Hong Kong)	—	—	—	—	—
Loss of employees (person)	125	21	114	24	8
Total loss of employees (person)	146			146	
Employee turnover rate (%)	7%			7%	

B2 Health and safety:

B2(a) Policies: The Law of the People's Republic of China on Prevention and Control of Occupational Diseases 《(中華人民共和國職業病防治法)》, Measures on the Administration and Supervision on Occupational Hygiene of Workplace《(工作場所職業衛生監督管理規定)》 (Decree No. 47 of State Administration of Work Safety (the "SAWS")), Measures for the Declaration of Projects with Occupational Hazards (SAWS Decree No. 48) 《(職業病危害項目申報辦法)》, Measures for the Supervision and Administration of Employers' Occupational Health Surveillance (SAWS Decree No. 49) 《(用人單位職業健康監護監督管理辦法)》, Interim Measures for Supervision and Administration of the "Three Simultaneities" for Occupational Health at Construction Projects (SAWS Decree No. 51) 《(建設項目職業衛生"三同時"監督管理暫行辦法)》 and the national standard Technical Specifications for Occupational Health Surveillance (GBZ188-2007) 《(職業健康監護技術規範)》 were the laws, regulations and policies mainly adopted by the Group in respect of providing safe working environment and protecting employees from occupational hazards.

B2(b) Compliance with relevant laws and regulations: Requirements of laws, regulations and policies mentioned above were strictly complied with by the Group, striving to provide a safe working environment and protect employees from occupational hazards. In 2021, there was no material violation of relevant codes, regulations and rules in the Group.

B2.1 Number and rate of work-related fatality in each of the past three years: In 2019, 2020 and 2021, the Group had no work-related fatality and the rate was 0%.

B2.2 Loss of working days due to work injury: The loss of working days due to work injury of our staff was around 69 days in 2021.

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B2.3 Measures on occupational health and safety adopted and relevant implementation and supervisory

methods: Measures on occupational health and safety adopted by the Group and relevant implementation and supervisory methods thereof are as follows:

1. In order to enhance the management of basic works relating to occupational health and safety precautions, our regulatory organisation for occupational health and safety precautions staffed by administrative personnel was established and improved.
2. Companies with the Group had established and improved their management system in relation to occupational health and safety precautions after referring to industry features. Such systems were strictly implemented.
3. An occupational health surveillance file was opened for each staff by the Group while occupational health examination was organised by relevant medical institutions for our employees on a regular basis. An occupational hazard notification policy was enforced as well.
4. Protection facilities and labor protection articles for occupational hazards were properly prepared for employees according to the nature of their work. Occupational diseases controlling and prevention institution, an independent third party of the Group was engaged to monitor the occupational hazardous factors in the Group and conduct evaluation on the protection effectiveness of our protection facilities for occupational hazards.
5. Work-related injury insurance and other commercial insurances were provided to our staff, so as to offer adequate protection for the interests of staff.

B3 Development and training

The Group had established administrative institutions to be in charge of staff training and career skills in each enterprise, and formulated incentive policies on remuneration, career promotion and training fees so as to encourage all employees to participate in job trainings so that their knowledge and skills for discharging duties at work could be improved continuously.

The Group had promoted and provided the following trainings for the employees: the guidance of the experienced employees and mutual trainings, trainings on technical skills for different positions provided by the in-house training sessions and entrusted training institutions; encouragement of technology professionals and the management to attend the professional trainings provided by colleges and training institutions in order to update their expertise and professional skills.

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B3.1 Percentage of employees trained by gender and employee category (such as senior management and middle management)

In 2021, the percentage of employees trained by employee category (such as the senior management, middle management and others) of the Group was as follows:

	Gender		Employee category		
	Male	Female	Senior management	Middle management	Other employees
The percentage of employees trained	82%	18%	92.39%	89.1%	87.9%

B3.2 Average training hours completed per employee by gender and employee category

In 2021, the average training hours completed per employee by employee category of the Group was as follows:

	Gender		Employee category		
	Male	Female	Senior management	Middle management	Other employees
The average training hours completed per employee	133 hours	34 hours	73 hours	59 hours	35 hours

B4 Labour standards

B4(a) Policies: As for preventing child labour or forced labour, the Group mainly implemented Labor Law of the People's Republic of China 《中華人民共和國勞動法》, the Employment Contract Law of the People's Republic of China《中華人民共和國勞動合同法》 and other relevant laws and regulations.

B4(b) Compliance with relevant laws and regulations with significant impact: The Group strictly complied with relevant laws and regulations including Labor Law of the People's Republic of China and the Employment Contract Law of the People's Republic of China.

B4.1 Measures of review on recruitment practice to eliminate situations such as child labors and forced labors: Across all companies under the Group, internal administrative institutions were set up to manage their employees in a professional manner when such employees were recruited and employed, so as to eliminate situations such as child labors and forced labors in the Group.

B4.2 Steps taken to eliminate violations found: The Group strictly complied with relevant laws and regulations including Labor Law of the People's Republic of China and the Employment Contract Law of the People's Republic of China when discovering violations.

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OPERATING PRACTICES

B5 Supply chain management

The Environment and Social Risk Policy on the Management of Supply Chain

The Group has established a comprehensive procurement system to manage and monitor the procedures of supply chain management of the Group to conduct consolidated and comprehensive assessment on supplier's qualification, creditworthiness, supply capacity and other aspects. Under the same conditions, the Group will consider the reputation of suppliers in environmental management and social responsibility as the priority to ensure that the capability of employed suppliers meets the requirements of the Group.

In respect of engineering services outsourcing, the Group has formulated and strictly implemented certain supply chain management systems on engineering services outsourcing, including the "Acceptance Specification of Installation, Maintenance and Inspection and Infrastructure Construction (《安裝、維檢及基建施工工程簽證驗收規範》)", the "Management System for Project Bidding and Tendering (《工程招投標管理制度》)", the "Quality Management System for Infrastructure Projects (《基建工程質量管理制度》)", the "Management System for Engineering Projects (《工程項目管理制度》)", the "Management System for Project Budget (Final Account) (《工程預(決)算管理制度》)", the "Infrastructure Projects Acceptance Management System (《基建工程驗收管理制度》)" and so on. In respect of procurement of materials and equipment, the Group has also formulated and strictly implemented certain supply chain management systems on procurement of materials and equipment, including the "Management Measures for Material Procurement (《物資採購管理辦法》)", the "Contract Management Measures (《合同管理辦法》)", the "Procurement Control Procedures (《採購控制程序》)", the "Production Equipment Control Procedures (《生產設備控制程序》)", the "Energy Resources Control Procedures (《能源資源控制程序》)", the "Approval Measures for Qualified Suppliers of Equipment and Materials (《設備及物資採購合格供應商評審辦法》)", the "Bidding Procurement Rules (《比價採購規則》)", the "Material Bidding Management System (物資招標管理制度)", the "Material Quality Acceptance Management System (《物資質量驗收管理制度》)" the "Management System for Bulk Material (《大宗物料管理制度》)", the "Management System for Emergency Procurement (《應急採購管理制度》)", the "Management System for Chemical Agents (《化學藥劑的管理制度》)" and so on.

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B5.1 Number of suppliers by geographical region

In 2021, the number of major suppliers is as follows:

Suppliers' region	Number of suppliers in the region			
	Fukang Refinery	Kalatongke Mining	Xinjiang Yakesi	Hami Zhongxin
Xinjiang Uygur Autonomous Region	95	210	205	93
Anhui Province	6	4	3	1
Liaoning Province	7	7	4	1
Shaanxi Province	6	5	1	2
Jiangsu Province	21	17	13	1
Sichuan Province	5	8	—	—
Hebei Province	8	12	3	—
Henan Province	4	6	13	3
Hunan Province	4	2	4	—
Zhejiang Province	11	10	3	—
Guangdong Province	4	6	2	—
Shandong Province	7	10	15	6
Beijing City	7	18	17	2
Shanghai City	9	7	6	1
Yunnan Province	1	—	—	—
Hubei Province	2	12	—	2
Chongqing City	—	1	—	—
Shanxi Province	—	2	1	—
Jilin Province	—	3	—	—
Heilongjiang Province	1	2	—	—
Gansu Province	5	6	2	6
Ningxia Hui Autonomous Region	—	—	1	—
Jiangxi Province	1	5	1	1
Guizhou Province	1	2	—	—

B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored: review and comprehensive assessment on the qualification of suppliers. Conduct screening on environmental issues, commercial practice and trust-breaking problems of suppliers through the third-party network public trust platform (tianyancha).

B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored: comprehensive rating of suppliers, including environmental protection, energy saving and consumption reduction level of products, safety protection, certificate and qualification, management capability and expertise.

B5.4 Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored: in the selection of suppliers, the Company has been strictly controlling the environmental, social and governance practice of suppliers, giving priority to environmentally friendly products and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B6 Product Responsibility

B6(a) Policy: The Company endeavors to provide quality products and services and strictly in line with the Product Quality Law of the People's Republic of China and all relevant laws and regulations in respect of the health and safety, advertisement, label and privacy matters and remedies of products and services. The Company takes the interests of customers and reputation of corporate as the support for the long-term development of the Company, and the importance on quality management is valued as always.

B6(b) Compliance with relevant laws and regulations of significant impact: the Company strictly complies with the aforesaid laws and regulations. In the year of 2021, there are no breaches against the relevant codes, rules and regulations in the Group.

B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons: there are no products sold or shipped subject to recalls for safety and health reasons in the Group.

B6.2 Number of products and service related complaints received and how they are dealt with: The Group has no product and service complaints. If customer complaints arise during the sales process, the Company will actively respond to customer issues and resolve them at the first instance.

B6.3 Practice relating to maintaining and protecting intellectual property rights: Apart from the trademark license agreement entered into with Xinjiang Non-ferrous, the Group does not have any other intellectual property rights, and will not infringe any third party trademark or intellectual property rights.

B6.4 Quality assurance process and recall procedures: The Group has obtained ISO 9001 quality management system certification and is committed to providing quality and reliable products and services to our customers.

B6.5 Consumer data protection and privacy policies, how they are implemented and monitored: To protect the data of our customers and the Group, including data relating to intellectual property rights, we have established guidelines for the conduct of our duties to ensure that office equipment, such as laptops, are properly kept and that all of the Group's paperwork and electronic data, including educational materials used for training purposes, are not made available to the public without the authorisation of our staff. All business information, financial information, personnel information, contractual documents, customer data, research and statistical information, technical documents, planning and marketing proposals, management documents and meetings that have not been publicly disclosed serve as confidential information of the Company to which the employees are under a duty of confidentiality. All rights to commercial and technical information, inventions and research results obtained by our employees in the course of their duties belong to the Group and may not be copied, imitated, reproduced, excerpted or distributed by anyone without written authorisation. The Group is committed to protecting the data and privacy of its customers. We will not use the information collected from our customers for promotional purposes without their consent. The Group's products are industrial use products, there are no consumer data collected or stored within the Group.

B7 Anti-corruption

B7(a) Policies:

The Group strictly complied with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and other relevant laws and regulations on prevention of bribery, extortion, fraud and money laundering.

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The Group established multiple management regulations with reference to the actual situation of the Group, including Regulations for Preventing Job-related Crimes in Xinjiang Xinxin Mining Industry Co., Ltd., Long-term Mechanism of Prevention and Management of Commercial Bribery of Xinjiang Xinxin Mining Industry Co., Ltd., Enforcement of Regulation on Establishing a Long-term Mechanism to Prevent “Private Covert” of Xinjiang Xinxin Mining Industry Co., Ltd., Regulations of Xinjiang Xinxin Mining Industry Co., Ltd. on Enhancing Capital Approval and Management, Plan of Xinjiang Xinxin Mining Industry Co., Ltd. on Implementation of Integrity and Risk Prevention, Control and Management of Xinjiang Xinxin Mining Industry Co., Ltd., Staff Handbook of Xinjiang Xinxin Mining Industry Co., Ltd. and other internal control regulations, adhered to the rule of law, problem orientation and both symptoms and root causes, and was committed to promoting in-depth development of anti-corruption efforts while improving the openness and transparency of information.

B7(b) Compliance with relevant laws and regulations:

The Group strictly implemented the abovementioned laws, regulations and the relevant system and regulations of the Group, promoted the organic integration and mutual coordination of various types of supervision taking the inner-party supervision as the leading role, established a pattern of audit supervision, inspection supervision, financial supervision, mass supervision and performance supervision, strengthened the supervision of key areas and key link posts, and implemented the management and control process of promptly reminding and correcting incipient problems and promptly reporting clues to major problems. The Company holds at least four special meetings of the leading group on Party conduct and clean government construction and anti-corruption efforts every year to listen to reports on relevant work, coordinate and solve practical problems, and promote the implementation of anti-corruption efforts.

B7.1 The number of corruption lawsuits filed and concluded against the Group or its employees during the reporting period and the outcome of the lawsuits:

In 2021, the Group did not receive any report on crimes such as job-related crimes, bribery, extortion, fraud and money laundering, and no illegal cases on job-related crimes, bribery, extortion, fraud and money laundering occurred in the Group. Also, there were no concluded legal cases regarding corruption brought up by the Group or its employees in the Group.

B7.2 Preventive measures and whistle-blowing procedures, as well as relevant implementation and monitoring methods:

In accordance with requirements of Xinjiang Non-ferrous (the controlling shareholder) about “Letter of Commitment regarding Construction of Party Conduct and Clean Administration (《黨風廉政建設目標責任書》)”, the Party Committee of the Group has signed “Letter of Commitment regarding Construction of Party Conduct and Clean Administration” and “Letter of Commitment on Honesty” 《(崗位廉潔承諾書)》 respectively with its members, members of Party Committee of branches and subsidiaries and management members; members of the Party Committee and the management of the Company have also signed “Letter of Commitment regarding Construction of Party Conduct and Clean Administration” and “Letter of Commitment on Honesty” respectively with departments under their responsibilities to build a three-level responsibility network of managers, department heads and key positions, and list out and clarify the main responsibilities at all levels. Duties are specified for each leaders, department heads and key personnel, explicitly setting their responsibilities in respect of construction of clean administration and enhancing the performance assessment in this regard.

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In addition to the regular supervision and inspection on the daily production and operations of respective fields under their own management, each functional departments of the Group also pays special attention to the regular supervision and inspection on the project construction, material procurement, funding approval and implementation of internal control regulations, etc., to identify and address the problems and weakness in the Group's operation and management procedures in a timely manner and to prevent dereliction of duty or improper fulfillment of responsibility on the part of staff at all level, thereby creating and nourishing a corporate culture characterized by integrity and self-discipline.

To improve the Group's integrity risk prevention system, the Group continued to launch an integrity risk identification and prevention and control project in the whole group, which was led by the Party Committee, supervised by the Commission for Discipline Inspection and executed by the Office of Discipline Inspection. Such a project aimed to raise employees' awareness of risk prevention and ward off any risk relating to integrity.

The Group established a petition and report system open to all staff and the society for supervision and whistle-blowing on crimes such as job-related crimes, bribery and corruption. It has designated persons responsible for the petition and report of the Company. No form of corruption is tolerated by the Group. Employees are prohibited from soliciting, receiving or accepting any form of benefits from any person, company or organisation having business relationships with the Group. In addition, the Group also requires partners that provide the Group with services to be honest and self-disciplined.

B7.3 Anti-corruption training provided to directors and employees:

Focusing on the theme of the month of Party spirit and honest government education, the Group has carried out 36 anti-corruption warning education activities on a regular basis, received education and training for more than a thousand people, closely integrated educational activities and anti-corruption training with various key tasks, so as to enable leading cadres to improve their ability to perform their duties in accordance with the law, firmly establish a work style of diligence and honesty, and continuously improve the high-quality development and construction level of anti-corruption efforts.

The Group has continuously standardized its decision-making procedure by adopting various measures such as education on eliminating corruption, system restriction, whistle-blowing and investigation, and enhancement of accountability mechanisms, thereby establishing a working mechanism featured by mutual restriction and supervision among employees. At the same time, the Company continued strengthening the attitude building, risk warning and awareness of anti-corruption within all the business units of the Company, so as to protect the improvement of the Company's economic benefits and management capability.

The whistle-blowing procedures on crimes such as job-related crimes, bribery, extortion, fraud and money laundering:

Directly making the whistle-blowing call or sending emails to report.

The whistle-blowing hotlines of the Company are: (0991) 4851669, (0991) 4850719

The whistle-blowing email of the Company is: xjxxkyjw@126.com

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COMMUNITY

B8 Community investment

Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.

B8.1 Focus areas of contribution: The Group mainly participates in and supports the development of public welfare undertakings such as education, health, culture and sports in the communities where its employees work and in the towns where its enterprises are located by means of public welfare donations, as well as actively participates in the implementation of Precision Poverty Alleviation.

B8.2 Resources contributed to the focus area: In 2021, the Group made a total of RMB738,000 public welfare donations.

In 2021, in implementing Precision Poverty Alleviation, in order to practically help people in poor areas develop self-reliant, the Group's employees procured 11,700 Niya black chickens, 4,500 ecological geese and 5,500 kilograms of raisins from poor households, etc., which has achieved a total consumption of approximately RMB2,205,000 for poverty alleviation.

REPORT OF THE DIRECTORS

The Directors are pleased to present the 2021 annual report and the audited financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021 (the “Year”).

PRINCIPAL ACTIVITIES

The principal activities of the Group and its associate and joint-venture companies are the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. There were no significant changes in the nature of the Group’s principal activities during the Year.

RESULTS AND DIVIDENDS

The Group’s results for the year ended 31 December 2021 and the state of financial affairs of the Company and the Group at that date are set out in the Financial Statements in pages 85 to 228.

The Board of Directors of the Company (the “Board of Directors” or the “Board”) did not recommend any payment of final dividend for the year ended 31 December 2021.

BUSINESS REVIEW

The business review of the Group for the Year has been set out in pages 6 to 11 of the Chairman’s Statement, in pages 12 to 16 of the Management Discussion and Analysis and in pages 38 to 59 of the Environmental, Social and Governance Report.

Fair review of business	Chairman’s Statement
Principal risks and uncertainties	Management Discussion and Analysis
Events after the balance sheet date	Report of the Directors
Future development of the business of the Company	Chairman’s Statement
Key performance indicators	Management Discussion and Analysis
Environmental policies and performance of the Company	Environmental, Social and Governance Report
Compliance of relevant laws and regulations	Environmental, Social and Governance Report
Principal relationships between the Company and employees, customers and suppliers	Report of the Directors

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

The Company had no significant assets acquisitions, or disposal, merger or equity investments during the Year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the operating results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 5 of this annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the Year are set out in note 4(11) and 17(12) to the Financial Statements, respectively. The details of investment property held by the Group are set out in note 4(10) to the Financial Statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 4(32) to the Financial Statements.

As disclosed in the announcement of the Company dated 22 October 2021, subject to, among others, applications by the Company to the relevant regulators in the PRC and Hong Kong and the obtaining of the necessary regulatory approvals, the Company may adopt and implement a H shares circulation proposal (the "H Shares Circulation Proposal") pursuant to which the converted H shares of the domestic shareholders of the Company may be listed and traded on the Stock Exchange. Further announcements on the H Share Circulation Proposal will be made by the Company as and when appropriate in accordance with the requirements of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the People's Republic of China which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company existed or was entered into during the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the Year.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the Consolidated and Company's Statement of Changes in Equity, respectively.

BANK LOANS AND BORROWINGS

As at 31 December 2021, the Group had bank loans and other interest-bearing borrowings with total amount of RMB1,234 million, of which unsecured loans and other interest-bearing borrowings amounted to RMB1,234 million.

DISTRIBUTABLE RESERVES

According to the Articles of Association of the Company as revised in December 2021, the reserves available for distribution are based on the Company's profit as determined under the Chinese Accounting Standards ("CAS"). In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the allocation to the statutory surplus reserve. As at 31 December 2021, the Group's distributable reserve attributable to shareholders of the Company under CAS amounted to RMB(155.4) million.

CHARITABLE CONTRIBUTIONS

During the Year, the total charitable contributions made by the Group amounted to RMB738,000.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2021, the proportion of purchases and sales from major suppliers and major customers of the Company to the total purchases and sales, respectively, are as follows:

Purchases

The total purchases from the largest supplier of the Company represent 8.3% of the total purchase value. The total purchases from the five largest suppliers of the Company represent 29.4% of the total purchase value.

Sales

Name of the customer	Proportion in total sales	Sales relationship with the Company	Payment term	Accounts receivable as at 31 December 2021	Repayment subsequent to the balance sheet date
Trafigura Investment (China) Company Limited	38.3%	7 years	3 days	RMB29.1 million	RMB29.1 million
China Chengtong Commodity Trading Company Limited	15.2%	17 years	3 days	RMB3.7 million	RMB3.7 million
Fukang Ruifeng Copper Co., Ltd.	13.1%	8 years	Cash-on delivery	–	–
Xinjiang Boyuan Cable Company Limited	6.4%	17 years	Advances before delivery	RMB0.9 million	RMB0.9 million
Urumqi Xinzhujiang Copper Cable Co. Ltd.	5.1%	3 years	Cash-on delivery	–	–
Top 5 customers	78.1%				

In 2021, The Company's largest customer was Trafigura Investment (China) Company Limited, accounting for 38.3% of the total sales of the Company. Incorporated in the PRC in December 2005, Trafigura Investment (China) Company is a wholly-owned subsidiary under Trafigura Beheer B.V. (TBBV) with a registered capital of US\$70 million. Founded in 1993, TBBV is a private company registered in Holland. Now it is the third largest independent oil trading company and the second largest independent non-ferrous concentrate trading company in the world. The payment term granted to this customer is 3 days after the receipt of goods, from whom, accounts receivable as at 31 December 2021 was RMB29.1 million, of which RMB29.1 million has been collected so far.

As nickel cathode and copper cathode products produced by domestic producers are not able to satisfy domestic demands, such under-supply in the PRC has to be fulfilled by substantial import. The Group is in a better position in the market by selecting customers with better payment terms, excellent background, good credibility and well-established marketing network. The Group makes settlement as per the spot prices in the Shanghai Yangtze River Non-ferrous Metals Spot Market, and the Group generally sells its products at prices in line with the market prices. There are no long-term contracts between the Group and customers. If any customer fails to make any payments on time, the Group can change it anytime. Accordingly, there are no risk of reliance on single major customer nor significant customer credit risk in respect of the Group's sales.

During the Year, to the best of the Directors' knowledge, none of the Directors, supervisors or their respective associates or any Shareholders of the Company who holds more than 5% of the issued share capital of the Company had any interest in any of the five largest customers or other five largest suppliers of the Group.

REPORT OF THE DIRECTORS

The Important Relationship between Employees, Customers and Suppliers

Mr. Zhang Guohua, a non-executive Director of the Company, is the Chairman and legal representative of Xinjiang Non-ferrous, which is the parent company of the Company. Mr. Guo Quan, a non-executive Director of the Company, is the deputy general manager of Xinjiang Non-ferrous. Mr. Zhou Chuanyou, a non-executive Director of the Company, is one of the beneficial owners of the domestic shares of the Company (for details please refer to the paragraph headed Directors and Supervisors of the Report of the Directors). Mr. Yu Wenjiang and Mr. Qi Xinhui, each an executive Director of the Company, also served as the secretary and deputy secretary to the Party Committee of the Company, respectively. Such secretary and deputy secretary to the Party Committee are directly appointed by the Party Committee of Xinjiang Non – ferrous.

Xinjiang Non-ferrous and its subsidiaries (collectively referred to as the “Xinjiang Non-ferrous Group”) provides construction services, certain production supplies, storage, transportation and loading services and other supporting and ancillary services and let property to the Group; and the Group provides products such as nickel cathode, copper cathode and sulphuric acid to and leases property for office use from the Xinjiang Non-ferrous Group (for details, please refer to the paragraph headed Related Party Transactions and Connected Transactions of this Report of the Directors).

A wholly-owned subsidiary of Xinjiang Non-ferrous provides certain supporting services including educational, nursery, medical and healthcare services to part of the employees of the Group (for details, please refer to the paragraph headed Related Party Transactions and Connected Transactions of this Report of the Directors).

During the Year, the Group procured ductile cast iron pipes and various spare parts from an associate (as defined under the Listing Rules) of Xinjiang Non-ferrous after it won the tender for the supply of such materials (for details, please refer to the paragraph headed Related Party Transactions and Connected Transactions of this Report of the Directors).

Save as explained above and disclosed in the paragraph headed Related Party Transactions and Connected Transactions of this Report of the Directors, none of other employees, customers or suppliers of the Company has important relationship with the Company, nor has material impact on the Company nor is the key to the prosperity of the Company.

MAJOR LITIGATION OR ARBITRATION

The Group does not have any major litigation or arbitration as at the date of this Report of the Directors.

CONTINGENT LIABILITIES

Save as disclosed in notes 7 and 8(5)(f) to the Financial Statements, the Group had no other significant contingent liabilities as at 31 December 2021.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 31 December 2021.

EVENTS AFTER THE BALANCE SHEET DATE

The Group does not have any events after the balance sheet date which need to be disclosed or adjusted.

REPORT OF THE DIRECTORS

DIRECTORS AND SUPERVISORS

As at the balance sheet date and the date of this Report of the Directors, the executive Director of the Company is Mr. Qi Xinhui and Mr. Yu Wenjiang; non-executive Directors are Messrs Zhang Guohua, Zhou Chuanyou, Guo Quan and Hu Chengye; and independent non-executive Directors are Messrs Hu Benyuan, Wang Qingming and Lee Tao Wai.

As at the balance sheet date and the date of this Report of the Directors, the Supervisors of the Company are Mr. Zhong Rubiao, Mr. Shi Keli, Mr. Shan Zhengzhong, Ms. Yao Wenying and Mr. Meng Guojun.

Biographical details of the Directors and Supervisors are set out on pages 17 to 21.

Directors of Subsidiaries

As at the balance sheet date and the date of this Report of the Directors, the directors of subsidiaries of the Company are as follows:

1. The directors of Xinjiang Kalatongke Mining Industry Company Limited are Mr. Dong Guoqing, Mr. Liu Qingli and Mr. 沙根别克·艾力木汗.
2. The directors of Xinjiang Yakesi Resources Co., Ltd. are Mr. Gu Shengchun, Mr. He Hongfeng, Mr. Dong Guoqing, Mr. Pan Yuzhong and Mr. Yang Wei.
3. The executive director of Hami Jubao Resources Co., Ltd. is Mr. Gu Shengchun.
4. The executive director of Beijing Xinding Shunze High Technology Co., Ltd. is Mr. Miao Yongjun.
5. The directors of Xinjiang Zhongxin Mining Industry Co., Ltd. are Mr. Gu Shengchun, Mr. Qi Xinhui and Mr. He Hongfeng.
6. The directors of Shaanxi Xinxin Mining Co., Ltd. are Mr. Qi Xinhui, Mr. Liu Pu, Mr. Li Zhenzhen, Mr. Li Guofeng and Mr. Gao Xiaozhen.
7. The directors of Xinjiang Mengxi Mining Co., Ltd. are Mr. Yu Wenjiang, Mr. Dong Guoqing, Mr. He Yongsheng, Mr. Ren Hongwei and Mr. Zuli Haer.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company from 14 October 2020 or the date of new appointment to the expiration of the term of the sixth session of the Board of Directors and of the Supervisors Committee of the Company.

Pursuant to Articles 106 and 145 of the Articles of Association, the term for Directors and Supervisors is three years commencing from the date of their respective appointment or re-appointment, subject to re-appointment at a general meeting.

Save as disclosed above, there are no service contracts between the Company or its subsidiaries and any of the Directors or Supervisors which is not determinable by the Company within one year without payment of compensation apart from statutory compensation.

REPORT OF THE DIRECTORS

Confirmation of Independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and considers all the independent non-executive Directors to be independent.

Directors’ and Supervisors’ Remunerations

Details of remunerations of Directors and Supervisors of the Company for the year ended 31 December 2021 are set out, on a named basis, in note 8(5)(J) to the Financial Statements.

Directors’ and Supervisors’ Interests in Contracts

No transaction, arrangement or contract of significance, to which the Company or its subsidiaries or any of its holding companies or fellow subsidiaries was a party and in which a Director or Supervisor had either a direct or indirect material interest, subsisted as at the end of the Year or at any time during the Year.

Directors’ and Supervisors’ Interests and Short Positions in Shares

Share Appreciation Rights Incentive Scheme

At the extraordinary general meeting held on 29 October 2021, 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 for 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 in 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 extraordinary meeting held on 29 October 2021, with a validity period of ten years from its effective date.

REPORT OF THE DIRECTORS

The recipients of the SARIS and their allocated number of SARIS as at 31 December 2021 are listed below:

Name/Category of Grantee	Number of Participant(s) involved	Number of the Share Appreciation Rights granted (in 10,000 shares)	Approximate proportion of Share Appreciation Rights granted to such Grantee(s) to the total number of Share Appreciation Rights granted pursuant to the Plan	Approximate proportion of underlying Shares under the Share Appreciation Rights granted to such Grantee(s) to the total issued share capital of the Company
Mr. Qi Xinhui	1	150	2.27%	0.07%
Mr. Yu Wenjiang	1	150	2.27%	0.07%
Mr. Meng Guangzhi	1	120	1.82%	0.05%
Mr. Dong Guoqing	1	120	1.82%	0.05%
Mr. 沙根别克·艾力木汗	1	120	1.82%	0.05%
Mr. Zhu Lingxiao	1	120	1.82%	0.05%
Mr. Li Jiangping	1	120	1.82%	0.05%
Mr. He Hongfeng	1	128	1.94%	0.06%
Mr. Li Zhenzhen	1	90	1.36%	0.04%
Mr. Gu Shengchun	1	112.5	1.70%	0.05%
Mr. Jiang Xiao	1	90	1.36%	0.04%
Mr. Wang Xiao	1	90	1.36%	0.04%
Mr. Liu Dongfeng	1	90	1.36%	0.04%
Mr. Pan Yuzhong	1	90	1.36%	0.04%
Mr. Han Yubao	1	90	1.36%	0.04%
Mr. Li Mingyu	1	78	1.18%	0.04%
Mr. Du Zhifeng	1	105	1.59%	0.05%
Mr. 木哈買提漢·木達汗	1	84	1.27%	0.04%
Mr. Wang Chunhai	1	84	1.27%	0.04%
Mr. Ma Yuxin	1	84	1.27%	0.04%
Mr. Zhang Yufei	1	84	1.27%	0.04%
Mr. Liu Qingli	1	101.25	1.53%	0.05%
Mr. Zhao Jingbo	1	90	1.36%	0.04%
Mr. Chen Yin	1	101.25	1.53%	0.05%
Mr. Xiao Yuwu	1	90	1.36%	0.04%
Core personnels	125	3,768	57.09%	1.70%
Total	150	6,350	96.21%	2.87%

REPORT OF THE DIRECTORS

As at 31 December 2021, the interests or short positions, if any, of the Directors and Supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

Long Positions in Shares and Underlying Shares of the Company by the Directors/ Supervisors as at 31 December 2021

Director/Supervisor	Number of shares held		Total interests	Classes of share	Percentage of aggregate interests to relevant class of share	Percentage of aggregate interests to the total share capital
	Personal interest	Corporate interests				
Zhou Chuanyou		480,924,000	480,924,000	Domestic share (Note 1)	33.14	21.76

Note 1: The domestic shares are held by Shanghai Yilian and 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 Directors and Supervisors and their respective associates had, as at 31 December 2021, 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), which would be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or which would be required, pursuant to Section 352 of the SFO, to be and are recorded in the register required to be kept by the Company or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Director and Supervisors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, its subsidiaries or any of fellow subsidiaries a party to any arrangement to enable the Directors or Supervisors to acquire such rights in any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this Report of the Directors, the following Director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company, as defined in the Listing Rules:

Mr. Zhang Guohua is the Chairman of Xinjiang Non-ferrous and also acts as the legal representative of Xinjiang Non-ferrous to sign any deeds, material contracts and other material documents of Xinjiang Non-ferrous. Mr. Guo Quan is the deputy general manager of Xinjiang Non-ferrous. Mr. Yu Wenjiang and Mr. Qi Xinhui were appointed by the Party Committee of Xinjiang Non-ferrous as secretary and deputy secretary to the party Committee of the Company. Mr. Zhang, Mr. Guo and Mr. Yu and Mr. Qi have not given any confidential or sensitive commercial information of the Company to Xinjiang Non-ferrous or any other third party and have physically abstained the voting right of directors to consider connected transactions and continuing connected transactions with Xinjiang Non-ferrous and its subsidiaries and associate.

As the Board of Directors of the Company is independent from the board of directors of Xinjiang Non-ferrous and the above Directors do not control the Board of the Company, the Group is capable of carrying on its businesses independent from, and at arm's length from, the business of Xinjiang Non-ferrous.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

So far as was known to any Director or Supervisor, as at 31 December 2021, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 5% or more than the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of shares held	Class of share	Approximate percentage of shareholding on relevant class of shares (%)	Approximate percentage of the total share capital (%)
Xinjiang Non-ferrous	885,204,000 (L)	Domestic share	61.01	40.06
Shanghai Yilian (<i>Note</i>)	282,896,000 (L)	Domestic share	19.50	12.80
Zhongjin Investment (<i>Note</i>)	198,028,000 (L)	Domestic share	13.65	8.96

(L) : Long positions

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

Save as disclosed above, the Directors 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.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions entered into by the Group in the ordinary course of business during the Year are set out in note 8(5) to the Financial Statements.

Details of the related party transactions as disclosed in the Annual Report which also constituted continuing connected transactions or connected transactions under Chapter 14A of the Listing rules are disclosed as below:

Continuing Connected Transactions Not Exempt under the Listing Rules

1. Mutual Supply Agreement

On 29 October 2021 Xinjiang Non-ferrous and the Company entered into a renewed mutual supply agreement (the "Mutual Supply Agreement") whereby both parties agreed that (A) Xinjiang Non-ferrous and its subsidiaries (collectively referred to as the "Xinjiang Non-ferrous Group") will provide construction services, certain production supplies, storage, transportation and loading services and other supporting and ancillary services to the Group; and (B) the Group will provide products such as nickel cathode, copper cathode, copper concentrate and sulphuric acid to the Xinjiang Non-ferrous Group from 1 January 2022 to 31 December 2024.

REPORT OF THE DIRECTORS

For each of the three years ending 31 December 2022, 2023 and 2024, the annual caps of the aggregate fees payable by the Group to Xinjiang Non-ferrous Group in respect of the construction services and supporting and ancillary services are approximately RMB405.42 million, RMB323.73 million and RMB244.55 million, respectively. For the year ended 31 December 2021, the the annual cap for the aggregate construction services fees and the supporting and ancillary services fees under the Mutual Supply Agreement was approximately RMB180.42 million^{Note} and the actual total transaction amount paid/payable by the Group to Xinjiang Non-ferrous Group in respect of the construction services and supporting and ancillary services was approximately RMB105.30 million.

For each of the three years ending 31 December 2022, 2023 and 2024, the annual caps of the aggregate fees payable by Xinjiang Non-ferrous Group to the Group in respect of product fees are approximately RMB176.23 million, RMB201.44 million^{Note} and RMB224.73 million, respectively. For the year ended 31 December 2021, the the annual cap for the Company's products fees under the Mutual Supply Agreement was approximately 133.35 million^{Note} and the actual total transaction amount paid/payable by Xinjiang Non-ferrous Group to the Group in respect of product fees was approximately RMB86.48 million.

Xinjiang Non-ferrous is the controlling shareholder and therefore a connected person of the Company.

Further details of the Mutual Supply Agreement were disclosed in the announcement of the Company dated 29 October 2021 and the circular of the Company dated 24 November 2021.

Note: These amounts included the revised annual cap for the construction services fees and Company's products fees for the years ended 31 December 2021 as approved by the extraordinary general meeting held on 18 December 2020.

2. Comprehensive Services Agreement

On 29 October 2021, Kalatongke Mining, a wholly-owned subsidiary of the Company, entered into a renewed comprehensive services agreement (the "Comprehensive Services Agreement") with Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Company Limited* (新疆有色金屬工業(集團)富蘊興銅服務有限公司) ("Fuyun Xingtong"), whereby Fuyun Xingtong agreed to provide certain supporting services including educational, nursery, medical and healthcare services to the employees of the Group from 1 January 2022 to 31 December 2024.

For each of the three years ending 31 December 2022, 2023 and 2024, the annual caps of the services fees payable by the Group to Fuyun Xingtong are approximately RMB8.35 million, RMB8.35 million and RMB8.35 million, respectively. For the year ended 31 December 2021, the annual cap for the services fees under the Comprehensive Services Agreement was approximately 3.42 million and the actual total transaction amount of the services fees paid/payable by the Group to Fuyun Xingtong was approximately RMB3.23 million.

Fuyun Xingtong is a wholly-owned subsidiary of Xinjiang Non-ferrous which is the controlling shareholder of the Company, and is therefore a connected person of the Company.

Further details of the Comprehensive Services Agreement were disclosed in the announcement of the Company dated 29 October 2021 and the circular of the Company dated 24 November 2021.

REPORT OF THE DIRECTORS

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed the said transactions as set out in the annual report and the accounts of the Company and are of the view that the continuing connected transactions:

- (I) were in the ordinary and usual course of business of the Company;
- (II) have been entered into by the Company on normal commercial terms or on terms no less favorable to the Company than terms to or by independent third parties; and
- (III) have been entered in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

PricewaterhouseCoopers Zhong Tian LLP, the auditors of the Company, has performed certain procedures on the continuing connected transactions and confirmed in writing to the Board that the above-mentioned continuing connected transactions:

- 1. have been approved by the Board;
- 2. are in accordance with the pricing policies of the Company if the transactions involved provision of goods or services by the Company;
- 3. have been entered into and conducted in accordance with the relevant agreements governing the transactions; and
- 4. have not exceeded the annual caps and revised annual caps disclosed in the relevant announcements of the continuing connected transactions.

Connected Transactions Not Exempt under the Listing Rules

1. Purchase Agreement of Materials

On 13 October 2021, Xinjiang Yakesi, a wholly-owned subsidiary of the Company, entered into a purchase agreement with Xinjiang Huachuang Tianyuan Shiye Limited Company* (新疆華創天元實業有限公司) ("**Huachuang Tianyuan**"), pursuant to which Xinjiang Yakesi agreed to purchase ductile cast iron pipes and various spare parts from Huachuang Tianyuan for an aggregate consideration of approximately RMB12.42 million.

Xinjiang Non-ferrous (the controlling shareholder of the Company) indirectly holds 30% of the interests in Huachuang Tianyuan. Therefore, Huachuang Tianyuan is an associate of Xinjiang Non-ferrous and therefore a connected person of the Company.

Further details of the Purchase Agreement of Materials were disclosed in the announcement of the Company dated 13 October 2021.

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

REPORT OF THE DIRECTORS

2. Lease Agreement

On 29 October 2021, the Company (as lessee) and Xinjiang Research Institute of Non-ferrous Metals (新疆有色金屬研究所) (the “**Xinjiang Research Institute**”) (as lessor) entered into a lease agreement (the “**Lease Agreement**”) for the lease of the Company’s office at Levels 5 and 6 (whole level), the Science and Technology R&D Building, Non-ferrous Metal High-tech Industrialization Base, 501 Ronghe South Road, Cooperation Zone, Economic and Technological Development Zone, Urumqi (the “Property”), for a term of 3 years from 1 January 2022 to 31 December 2024. The Company leased the Property for office use. The rent and property management fees per annum is approximately RMB1.26 million in aggregate.

Xinjiang Research Institute is a wholly-owned subsidiary of Xinjiang Non-ferrous. As such, Xinjiang Non-ferrous and Xinjiang Research Institute are connected persons of the Company.

In accordance with CAS applicable to the Company, the transaction under the Lease Agreement shall be presented separately by the lessee as the right-of-use assets and lease liabilities in the balance sheet. As such, the transaction under the Lease Agreement constituted an one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

Prior to the Lease Agreement, there was a short term lease of 5 months entered into between the Company and Xinjiang Research Institute in respect of the Property with effect from 1 August 2021. The rent and property management fees for the period from 1 August 2021 to 31 December 2021 was approximately RMB0.5 million in aggregate.

Further details of the Lease Agreement were disclosed in the announcement of the Company dated 29 October 2021.

In respect of each related party transaction disclosed in note 8(5) to the Financial Statements prepared in accordance with CAS, the Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A to the Listing Rules and other relevant requirements under the Listing Rules (if applicable).

REPORT OF THE DIRECTORS

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 8 to the Financial Statements section headed "Related Parties and Related Party Transactions", at no time during the Year had the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries entered into any contract of significance for the provision of services by the controlling shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

COMPLIANCE WITH LAWS AND REGULATIONS

To the best of our knowledge, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings in the Shares.

NON-COMPETITION AGREEMENT

As disclosed in the Prospectus, the independent non-executive Directors will review, on an annual basis, the exercise or non-exercise of the right of first refusal to purchase the 34% shareholding or any part thereof in Ashele Copper (as defined in the Prospectus) as held by Xinjiang Non-ferrous under the Non-competition Agreement (as defined in the Prospectus). The non-competition restrictions took effect on 12 October 2007. Xinjiang Non-ferrous has confirmed that it has not breached any of the terms of the Non-competition Agreement and has provided all information necessary for annual review by the independent non-executive Directors of the Company. An annual review has been conducted by the independent non-executive Directors of the Company on such decisions whether to exercise or not to exercise the right of first refusal.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CLOSURE OF REGISTER FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 27 April 2022 to 27 May 2022 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2021 annual general meeting of the Company, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 26 April 2022.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

Written terms of reference of the audit committee based primarily on “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board of Directors.

The audit committee provides an important link between the Board of Directors and the Company’s auditors in matters falling within the scope of the audit of the Company and the Group. It will review the effectiveness of the external audit and internal controls and risk evaluation and will provide comments and advice to the Board of Directors. The audit committee comprises one non-executive Director namely, Mr. Hu Chengye and two independent non-executive Directors, namely, Mr. Hu Benyuan and Mr. Lee Tao Wai, with Mr. Hu Benyuan serving as the Chairman. The audit committee and management have reviewed the audited results of the Group for the year ended 31 December 2021.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers Zhong Tian LLP, who will retire upon the conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP as the international and the PRC auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Zhang Guohua
Chairman

Xinjiang, the PRC
25 March 2022

REPORT OF THE SUPERVISORY COMMITTEE

To all Shareholders,

In 2021, the Supervisory Committee of the Company (the “Supervisory Committee”), with all the Supervisors, has been committed to fulfilling and fully complied with the work duties and performed their supervisory duties effectively in compliance with the Company Law and other relevant laws and regulations and the relevant requirements of Articles of Association of the Company to effectively fulfill the interests of the shareholders of the Company. The independent opinion report in relation to basic status of the works and duties fulfilled by the Supervisory Committee is set out below.

I. DAILY OPERATION OF THE SUPERVISORY COMMITTEE

- (I) The Supervisory Committee held three meetings in 2021. Adhering to the principle of complying with the law and the Articles of Association of the Company, working with diligence and fulfilling the interests of shareholders of the Company, the five Supervisors of the Company, with conscientious and responsible attitude, provided definite and true opinions on the issues to be reviewed. The status of the meeting is as follows:

On the second extraordinary meeting of the sixth session of the Supervisory Committee of the Company held on 26 March 2021, seven resolutions were approved, including the Report of the Supervisory Committee of the Company for 2020, the audited Consolidated Financial Statement of the Company for the year ended 31 December 2020, the resolution regarding that no final dividend shall be paid by the Company for the year ended 31 December 2020, the Annual Report of the Company for 2020 and the internal audit work plan for 2021 of the Company, the resolution regarding the H share appreciation rights incentive plan of the Company for 2021 (draft) and the resolution regarding the H share appreciation rights incentive plan implementation, assessment and management measures of the Company for 2021.

On the first extraordinary meeting of the sixth session of the Supervisory Committee of the Company held on 12 April 2021, five resolutions were approved, including the resolution regarding the election of Ms. Yao Wenying as the chairman of the Supervisory Committee of the Company, the resolution regarding the recommendation of Mr. Zhong Rubiao as the shareholder representative supervisor of the sixth session of the Supervisory Committee of the Company, the resolution regarding the remuneration of Mr. Zhong Rubiao as the shareholder representative supervisor of the Company, the resolution regarding the authorization of the chairman of the Board to sign the supervisor service contract with Mr. Zhong Rubiao, the elected supervisor, and to take relevant actions to bring it into effect according to the terms and conditions which the Board deems appropriate, and the resolution regarding the list of participants in the “H share appreciation rights incentive plan of the Company for 2021”.

On the third meeting of the sixth session of the Supervisory Committee of the Company held on 30 August 2021, two resolutions were approved, including the consolidated financial statements (unaudited) of the Company for the six months ended 30 June 2021 and the 2021 interim report of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

- (II) Through attending various Board meetings of the Company in 2021, the Supervisory Committee exercised effective supervision over the legality of the meetings, whether the contents of resolutions are in compliance with the requirements of relevant laws, regulations and the Articles of Association of the Company, whether the resolutions are in line with the general meetings of the Company, as well as the actual needs of the operation and development of the Company.
- (III) Through various activities including the attendance at the meeting of the Party Committee, the general manager's meetings, the Supervisory Committee has effectively monitored significant economic activities of the Company such as resources integration, project construction, connected transactions, operation performance evaluation of subsidiaries and branch. The Supervisory Committee members have conducted site visits, investigation and research studies, especially comprehensive investigation on plants and mines, acquired information about the production technologies to provide relevant opinions and recommendations regarding the issues concerned.
- (IV) The Supervisory Committee has monitored the lawfulness and truth of the financial operations of the Company by examining its financial plans and reviewing various financial statements of the Company.
- (V) The Supervisory Committee has monitored the performance of the senior management of the Company and the management of the Company's subsidiaries, maintained frequent communications with them and offered their opinions and suggestions on job performance.

In 2021, all Supervisors of the Company have uplifted their ability of job performance and carried out their obligations and duties diligently in accordance with the annual work plan of the Supervisory Committee. As the sophisticated specialists in their professional fields, two independent Supervisors and one shareholder Supervisor played their role with due diligence to improve the supervision capability over the operation of the Company in compliance with the law and strengthen the independence of the Supervisory Committee for exercising rights and leveraging proper functions.

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE

(I) Operation of the Company in Compliance with the Law

In 2021, the Supervisory Committee supervised the operation of the Company and attended the Board meeting and general meetings of the Company in compliance with the law, and strictly supervised the implementation of decision-making procedures of the Company and performance of duties conducted by members of the Board and senior management of the Company. The Supervisory Committee believed that the decision-making procedures of the Company and the convening and holding of general meetings and Board meetings are strictly in compliance with the Company Law and relevant requirements of Articles of Association of the Company. Members of the Board and senior management of the Company performed their duties faithfully and diligently in accordance with laws and regulations of the State and the Articles of Association of the Company. During the Reporting Period, the Company and senior management of the Company did not have any behavior that was in breach of laws and regulations and the Articles of Association of the Company and that has undermined the interest of the Company and Shareholders when performing their duties and exercising their power and rights.

REPORT OF THE SUPERVISORY COMMITTEE

(II) Assets of the Company

In 2021, the Company had no mergers and acquisitions.

The details of the Company's loans and financing, fixed assets, investments on technological renovation projects and geological prospecting and other assets, have been truthfully disclosed in the financial report of the Company.

(III) Financial Management of the Company

The Supervisory Committee has conscientiously inspected, audited and supervised the financial position and management of the Company for 2021 in accordance with laws. PricewaterhouseCoopers Zhong Tian LLP have audited the 2021 financial statements of the Company which have been prepared in accordance with the CASBE and issued the auditors' report with standard unqualified opinion. The Supervisory Committee is of the view that the Company has a sound financial system, standard internal operation and good financial position. The 2021 financial statements of the Company truly, accurately and completely present the financial position and operating results of the Company.

Operating revenue of the Group for 2021 was RMB2,382.4 million and the comprehensive income attributable to shareholders of the Company was RMB515.6 million.

In 2021, the Company did not encounter any circumstances of misappropriation of fund of the Company by controlling shareholders and other connected parties.

(IV) Connected Transactions

In 2021, the Group was involved in connected transactions with the Company's controlling shareholder Xinjiang Non-ferrous and its subsidiaries, with regard to: (1) construction service, supply of raw material and transportation service which amounted to RMB105.3 million; (2) labour service payment to Fuyun Xingtong which amounted to RMB3.23 million; (3) product sales which amounted to RMB86.48 million; (4) Xinjiang Yakesi purchased ductile iron pipes and various accessories from Huachuang Tianyuan at a total consideration of approximately RMB12.42 million; and (5) the five-month lease of the premises of Xinjiang Research Institute by the Company was approximately RMB0.5 million. All connected transactions were conducted within the scope of the respective agreements. The transaction amounts for those continuing connected transactions also have not exceeded the respective 2021 annual caps, which were approved by the Board or general meetings. All the connected transactions were made pursuant to the market rule, being fair and reasonable. No deterioration of the Company's interests was found under reviews. The Company has also engaged PricewaterhouseCoopers Zhong Tian LLP to perform the duties of international auditors and perform certain procedures on relevant continuing connected transactions. For details of the connected transactions, please refer to pages 68 to 71 of this annual report.

REPORT OF THE SUPERVISORY COMMITTEE

(V) Internal Control of the Company

The Supervisory Committee is of the view that, the Company has established a relatively sound corporate governance structure and an internal control and management system in accordance with relevant laws, regulations and the Company's actual situation, which is in line with the actual demands and development demands of production, operation and management of the Company at the current stage and ensures the standard operation of the Company's businesses and segments, and the effective prevention and control of operation risks. In the reporting period, the Company's internal control system was standard and legal, and run in an effective way.

The Company strictly complied with laws, regulations and policies of the State, strengthening costs control, increasing revenue and reducing expenses as control procedures in the financial operation of the Company.

The Company implemented a set of performance assessment mechanism for remuneration management and ensured fairness and transparency, which greatly aroused the enthusiasm of staff.

On production management, the Company explored internal potentials and endeavored to increase and stabilize production, pursued a streamlined management, met the index of "two down and one up (兩降一升)" at different levels, uplifted levels of skills and techniques further and continuously improved the recycle rate of metal and the ability of comprehensive multi-metal recycling. The reasonable use of external resources helped increase the total output of the Company. The safety and environmental protection situation continued to improve, effectively safeguarding the bottom line of safety and environmental protection and achieving the annual safety and environmental protection targets.

For procurement, the Company underwent at-least-three-bids system with qualitative products, competitive price and open tender to ensure the quality of products, so as to reduce the procurement costs, level of inventory and guarantee the production.

For sales of products, the Company kept a close eye on any updated news on international and domestic markets, carried out in-depth analysis on price trend, conducted research and adjusted the marketing strategies in time and realized the sales in high price and maximized its benefits.

Construction projects of the Company were carried out on schedule. The major progress was under control of the Company and the quality of the works was comprehensively guaranteed.

In respect of human resources management, the Company recruited, trained and maintained various kinds of talents, and continuously improved the quality of the team of employees in accordance with the requirements of the continuous development of the Company.

The internal audit of the Company has been continuously effective, performing important roles particularly in supervising and refining the tendering and bidding of major projects.

REPORT OF THE SUPERVISORY COMMITTEE

(VI) Performance of Duties by the Directors and Senior Management of the Company

All Directors and senior management of the Company were diligent and responsible in their work during 2021. They conformed to the laws and regulations and demonstrated cooperation. Their duties were properly segregated. They were responsible and ensured effective implementation of all resolutions as approved by general meetings and the Board. In carrying out their duties, there were no breaches of the laws and regulations, the Articles of Association of the Company or any other actions which were against the interests of the Company. As a result of the scientific decisions on the major issues of the Company and efficient implementation made by the Board and the management, the Company achieved better performance in various aspects including production, safety, operations and project construction.

III. FOCUS OF THE SUPERVISORY COMMITTEE IN 2022

In 2022, the Supervisory Committee will continue to perform the official duties faithfully and further promote the standard operation of the Company in accordance with the Company Law and other relevant laws and regulations and the relevant requirements of Articles of Association of the Company. The key points of the Supervisory Committee in 2022 are as follows:

- (I) Continuously exploring new methods and new ways to exercise the supervisory and review functions of the Supervisory Committee in accordance with relevant laws and regulations. Prudently improving self-construction, fully leveraging the functions of all Supervisors, and continuously enhancing the working standards of the Supervisory Committee to ensure the implementation of the decisions made by the general meeting and the Board.
- (II) Supervising the operation of the Company in compliance with the law and proactively urging the construction and effective operation of the internal control system of the Company.
- (III) Reviewing the financial operation of the Company and monitoring the financial operation by inquiring upon and reviewing the financial reports on a regular basis.
- (IV) Supervising the due diligence of the Directors and senior management to prevent any behavior that would undermine the interest and image of the Company.
- (V) Strengthening the supervision over capital operation, property disposal, merger and acquisition, connected transaction, financial management and other major issues to ensure healthy development of the Company and effectively protect the interests of the shareholders of the Company.

Yao Wenying
Chairman of the Supervisory Committee

25 March 2022

INDEPENDENT AUDITOR'S REPORT



普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2022) No.15003

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To the Shareholders of
XINJIANG XINXIN MINING INDUSTRY CO., LTD,

OPINION

What we have audited

We have audited the accompanying financial statements of Xinjiang Xinxin Mining Industry Co., Ltd Company (hereinafter "Xinjiang Xinxin Mining Co."), which comprise:

- the consolidated and company balance sheets as at 31 December 2021;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Xinjiang Xinxin Mining Co. as at 31 December 2021, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Xinjiang Xinxin Mining Co. in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

INDEPENDENT AUDITOR'S REPORT



普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2022) No.15003

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of Goodwill and Other Long-term Assets

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of Goodwill and Other Long-term Assets</p> <p>Refer to note 2(32), note 4(10), note 4(11), note 4(12), note 4(13), note 4(14) and note 4(15) to the financial statements.</p> <p>As at 31 December 2021, the book value of goodwill amounted to RMB27,832,805.11, which was resulted from the acquisitions of Xinjiang Yakesi Resource Development Co., Ltd., Hami Jubao Resource Development Co., Ltd. and Xinjiang Zhongxin Mining Co., Ltd. in 2009. Pursuant to No. 8 of Accounting Standards for Business Enterprises, management should carry out impairment assessment for goodwill at least at each year end.</p> <p>As at 31 December 2021, the book value of other long-term assets is RMB4,930,813,343.63, including investment property, fixed assets, construction in progress, construction materials, intangible assets, right of use assets, etc., accounting for 66.69% of the total assets and 94.68% of non-current assets, which is the largest component of assets. When these long-term assets show indicators of impairment, management needs to test their impairment.</p>	<p>We understood and evaluated the accounting policies, the designed processes and the internal controls related to impairment assessment on goodwill and other long-term assets.</p> <p>With regard to the management's assessment on the impairment provision for goodwill and other long-term assets and the result of the valuation, Our audit work mainly included:</p> <ul style="list-style-type: none">– We inquired the management, and evaluated the scope of management's impairment assessment on goodwill and related long-term assets by considering the indications of impairment independently;– We understood and evaluated the method that the management estimated the future cash flow in the impairment independently;– We obtained the approved forecast of future cash flows, and compared them with the data used in the impairment assessment;

INDEPENDENT AUDITOR'S REPORT



普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2022) No.15003

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Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of Goodwill and Other Long-term Assets(Continued)</p> <p>As at 31 December 2021, the management did the assessment to determine whether impairment losses for goodwill and other long-term assets should be recognized. The present value of estimated future cash flows of these assets was used to determine the recoverable amount in the assessment. The conclusion was that no impairment provision were provided.</p> <p>We focused on this area because the impairment test conducted by the management was complicated, and the result of impairment test is depends on several key assumptions and significant judgements made by the management in the impairment assessment, such as the forward price of nickel, copper and other metals, reserves, production volumes, capital expenditures, operation costs, the applied discount rates and etc. These estimates and judgements may be affected by unexpected significant changes in conditions of future market and economic circumstances.</p>	<ul style="list-style-type: none">— We obtained the key assumptions used in the impairment assessment of goodwill and other long-term assets, including the forward price of nickel, copper and other metals, mineral reserves, production volumes, forecasts of capital expenditures and operation costs, the applied discount rates and etc. We compared the forward price of metals and inflation rate with recent comparable data from the market, and we reassessed the discount rate. We compared the mineral reserves with the exploration results and the reserves data filed in the Bureau of Land and Resources. We compared the production volume with the designed capacity in the feasibility report and historical data. We compared capital expenditure and operation costs with historical data and budget approved by the board of directors. We assessed the aforementioned key assumptions and evaluated whether the judgments were within acceptable range;— We examined the sensitivity test prepared by the management, including sensitivity test of forward metal price and applied discount rate. <p>Based on the information we obtained and the aforementioned audit procedures performed, key assumptions and significant judgments made by the management in the impairment assessment of goodwill and other long-term assets, and the disclosures in note 4(10), note 4(11), note 4(12), note 4(13), note 4(14) and note4(15) were supportable.</p>

INDEPENDENT AUDITOR'S REPORT



普华永道

AUDITOR'S REPORT

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OTHER INFORMATION

Management of Xinjiang Xinxin Mining Co. is responsible for the other information. The other information comprises all of the information included in 2021 annual report of Xinjiang Xinxin Mining Co. other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of Xinjiang Xinxin Mining Co. is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Xinjiang Xinxin Mining Co.'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Xinjiang Xinxin Mining Co. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Xinjiang Xinxin Mining Co.'s financial reporting process.

INDEPENDENT AUDITOR'S REPORT



普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2022) No.15003

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Xinjiang Xinxin Mining Co.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Xinjiang Xinxin Mining Co. to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT



普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2022) No.15003

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Xinjiang Xinxin Mining Co. to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP

Signing CPA

Zheng JiaYan
(Engagement Partner)

Shanghai, the People's Republic of China
25 March 2022

Signing CPA

Zhao ZhaoNi

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

Assets	notes	2021 December 31 Consolidated	2020 December 31 Consolidated	2021 December 31 Company	2020 December 31 Company
Current assets					
Cash at bank and in hand	4(1) 、 17(1)	425,750,208.30	375,146,472.12	394,424,223.31	353,411,941.02
Financial assets held for trading	4(2) 、 17(2)	31,000,000.00	31,000,000.00	20,000,000.00	20,000,000.00
Account receivable	4(3) 、 17(3)	71,083,139.68	102,867,035.47	53,185,212.76	80,229,016.75
Financing receivable	4(4) 、 17(4)	135,698,602.79	75,348,838.21	49,910,088.20	48,594,289.52
Advances to suppliers	4(5) 、 17(5)	24,605,254.51	33,089,662.54	217,795,194.56	610,108,585.44
Other receivables	4(6) 、 17(6)	19,394,301.72	31,609,693.88	498,346,263.67	836,608,091.05
Inventories	4(7) 、 17(7)	1,435,645,634.54	1,375,623,000.72	1,498,079,129.76	1,244,636,896.71
Other current assets	4(8) 、 17(8)	42,504,259.02	43,515,830.67	39,200,248.94	39,971,783.55
Total current assets		2,185,681,400.56	2,068,200,533.61	2,770,940,361.20	3,233,560,604.04
Non-current assets					
Long-term receivable	17(9)	—	—	948,650,000.00	381,000,000.00
Long-term equity investments	4(9) 、 17(10)	154,458,773.68	155,334,463.09	2,594,454,868.24	2,568,329,336.75
Investment Property	4(10)	221,433,717.31	—	—	—
Fixed assets	4(11) 、 17(12)	3,477,056,722.28	3,053,585,341.85	459,270,021.77	499,881,332.29
Construction in progress	4(12)	481,087,433.54	1,094,829,728.49	102,728,063.59	62,165,582.59
Right of use assets	4(13) 、 17(11)	6,293,992.13	—	3,318,179.45	—
Intangible assets	4(14) 、 17(13)	744,941,478.37	745,398,457.10	41,532,057.74	42,616,725.84
Development cost	4(14)	8,902,954.99	—	—	—
Goodwill	4(15)	27,832,805.11	27,832,805.11	—	—
Long-term deferred expenses		2,034,664.94	982,969.86	2,034,664.94	982,969.86
Deferred tax assets	4(31) 、 17(14)	63,831,811.34	88,654,563.65	13,568,767.80	55,041,668.54
Other non-current assets	4(16)	19,944,115.00	28,444,977.50	—	—
Total non-current assets		5,207,818,468.69	5,195,063,306.65	4,165,556,623.53	3,610,017,615.87
TOTAL ASSETS		7,393,499,869.25	7,263,263,840.26	6,936,496,984.73	6,843,578,219.91

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	notes	31 December 2021 Consolidated	31 December 2020 Consolidated	31 December 2021 Company	31 December 2020 Company
Current liabilities					
Short-term borrowings	4(26) (b)	465,000,000.00	477,640,000.00	465,000,000.00	477,640,000.00
Financial liabilities held for trading	4(18)	–	149,743,160.00	–	–
Notes payable	4(19) 、 17(16)	188,000,000.00	331,350,000.00	188,000,000.00	331,350,000.00
Accounts payable	4(20) 、 17(17)	394,222,859.67	263,435,161.65	334,242,976.38	289,203,111.82
Contract liabilities	4(21) 、 17(18)	14,476,895.38	38,851,683.14	1,905,705.08	9,137,155.51
Employee benefits payable	4(22) 、 17(19)	73,393,907.18	57,101,438.23	28,521,832.37	21,265,217.06
Taxes payable	4(23) 、 17(20)	34,647,713.82	10,430,710.33	485,993.92	348,323.34
Other payables	4(24) 、 17(21)	100,175,007.13	124,097,690.52	24,587,850.91	26,216,136.42
Current portion of non-current liabilities	4(25)	600,952,865.59	442,500,000.00	295,193,632.19	440,000,000.00
Total current liabilities		1,870,869,248.77	1,895,149,843.87	1,337,937,990.85	1,595,159,944.15
Non-current liabilities					
Long-term borrowings	4(26) (a)	389,000,000.00	781,500,000.00	343,000,000.00	235,000,000.00
Lease liabilities	4(27)	3,148,692.28	–	2,151,691.20	–
Long-term payables	4(28)	54,834,505.36	14,466,781.91	456,673.66	–
Provisions	4(29)	9,778,241.06	9,351,240.59	–	–
Deferred income	4(30)	26,065,988.08	26,665,922.77	4,819,641.06	1,763,244.02
Deferred tax liabilities	4(31)	93,373,803.03	103,962,557.17	–	–
Total non-current liabilities		576,201,229.81	935,946,502.44	350,428,005.92	236,763,244.02
Total liabilities		2,447,070,478.58	2,831,096,346.31	1,688,365,996.77	1,831,923,188.17

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

LIABILITIES AND OWNERS' EQUITY	notes	31 December 2021 Consolidated	31 December 2020 Consolidated	31 December 2021 Company	31 December 2020 Company
Owners' equity					
Share capital	4(32)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	4(33)	4,258,569,997.76	4,258,569,997.76	4,254,754,857.49	4,254,754,857.49
Surplus reserve	4(35)	273,273,385.36	249,625,789.74	273,273,385.36	249,625,789.74
Accumulated Losses/ Retained earning	4(36)	(155,968,806.25)	(647,906,622.73)	167,602,745.11	(45,225,615.49)
Total equity attributable to shareholders of the Company		4,928,374,576.87	4,412,789,164.77	5,248,130,987.96	5,011,655,031.74
Non-controlling interests	5(1)	18,054,813.80	19,378,329.18	—	—
Total owners' equity		4,946,429,390.67	4,432,167,493.95	5,248,130,987.96	5,011,655,031.74
TOTAL LIABILITIES AND OWNERS' EQUITY		7,393,499,869.25	7,263,263,840.26	6,936,496,984.73	6,843,578,219.91

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:
Yan Zhijun

CONSOLIDATED AND COMPANY INCOME STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

	Note	2021 Consolidated	2020 Consolidated	2021 Company	2020 Company
1. Revenue	4(37),17(23)	2,382,408,358.70	1,853,908,865.04	2,219,068,308.61	1,707,764,832.09
Cost of sales	4(37),17(23)	(1,471,712,081.98)	(1,416,745,052.70)	(1,837,456,168.65)	(1,519,105,921.68)
Taxes and surcharges	4(39)	(50,231,836.10)	(35,332,731.94)	(8,220,794.64)	(7,561,103.60)
Selling expenses	4(40)	(15,482,254.39)	(36,581,442.32)	(13,112,994.17)	(10,793,013.52)
General and administrative expenses	4(41)	(145,590,309.27)	(121,001,357.65)	(48,469,502.74)	(39,883,051.93)
Research and development expenses	4(42)	(69,089,249.17)	–	(68,412,545.23)	–
Financial expenses-net	4(43),17(24)	(63,957,005.40)	(97,072,148.96)	4,086,197.61	(2,402,942.71)
Including: Interest expenses		(72,527,700.16)	(97,547,634.90)	(48,963,286.67)	(61,599,900.18)
Interest income		10,161,158.65	1,706,604.08	53,337,752.39	59,888,275.27
Assets impairment losses	4(17),4(44),17(15)	(3,546,922.11)	(135,533,419.33)	3,010,345.02	3,525,402.45
Credit impairment reversal/(losses)	4(45)	6,501,044.85	(2,768,705.28)	1,125,449.65	4,577,923.02
Losses from changes in fair value		–	(655,360.00)	–	–
Other income	4(48)	4,347,244.47	7,940,452.59	502,155.31	1,453,380.16
Investment losses	4(46),17(26)	(177,839.39)	(3,070,033.38)	26,483,300.68	7,479,958.15
Including: Share of gain of joint venture		26,125,531.49	4,257,200.67	26,125,531.49	4,257,200.67
(Losses)/gains on disposal of non-current assets	4(47)	(149,778.53)	208,602.17	16,923.68	170,097.33
2. Operating profit		573,319,371.68	13,297,668.24	278,620,675.13	145,225,559.76
Non-operating income	4(49)	1,565,062.47	162,275,854.90	902,881.32	158,492.78
Non-operating expenses	4(50)	(4,700,317.02)	(4,046,739.05)	(1,574,699.49)	(855,189.17)
3. Total profit		570,184,117.13	171,526,784.09	277,948,856.96	144,528,863.37
Income tax expenses	4(51),17(27)	(55,922,220.41)	7,643,983.12	(41,472,900.74)	(21,210,797.22)
4. Net profit		514,261,896.72	179,170,767.21	236,475,956.22	123,318,066.15
Classified by continuity of operations:					
Net profit from continuing operations		514,261,896.72	179,170,767.21	236,475,956.22	123,318,066.15
Net profit from termination of operations		–	–	–	–
Classified by owner's equity:					
Attributable to equity owners of the Company		515,585,412.10	151,838,401.47	236,475,956.22	123,318,066.15
Attributable to non-controlling interests		(1,323,515.38)	27,332,365.74	–	–

CONSOLIDATED AND COMPANY INCOME STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

Note	2021 Consolidated	2020 Consolidated	2021 Company	2020 Company
5. Other comprehensive income after tax	-	-	-	-
6. Total comprehensive income	514,261,896.72	179,170,767.21	236,475,956.22	123,318,066.15
Attributable to equity owners of the Company	515,585,412.10	151,838,401.47	236,475,956.22	123,318,066.15
Attributable to non-controlling interests	(1,323,515.38)	27,332,365.74	-	-
7. Earnings per share				
Basic earnings per share 4(52)	0.233	0.069	-	-
Diluted earnings per share 4(52)	0.233	0.069	-	-

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:
Yan Zhijun

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

	Note	2021 Consolidated	2020 Consolidated	2021 Company	2020 Company
1. Cash flows from operating activities					
Cash received from sales of goods or rendering of services		1,800,533,635.64	1,306,174,083.86	2,506,092,830.48	1,104,422,352.84
Cash received relating to other operating activities	4(53)(a)	86,178,361.69	9,830,598.87	119,422,699.77	61,720,747.79
Sub-total of cash inflows		1,886,711,997.33	1,316,004,682.73	2,625,515,530.25	1,166,143,100.63
Cash paid for goods and services		(523,264,581.13)	(466,125,314.52)	(1,964,274,789.58)	(1,260,929,587.06)
Cash paid to and on behalf of employees		(310,535,182.47)	(250,278,275.99)	(122,192,363.57)	(98,767,086.83)
Payments of taxes and surcharges		(267,469,159.27)	(170,966,205.50)	(28,079,099.77)	(23,136,705.13)
Cash paid relating to other operating activities	4(53)(b)	(102,400,416.22)	(76,320,337.28)	(28,053,906.46)	(46,570,294.74)
Sub-total of cash outflows		(1,203,669,339.09)	(963,690,133.29)	(2,142,600,159.38)	(1,429,403,673.76)
Net cash flows generated from/(used in) operating activities		683,042,658.24	352,314,549.44	482,915,370.87	(263,260,573.13)
2. Cash flows from investing activities					
Cash received from returns on investments		697,850.02	3,582,031.45	357,769.19	3,222,757.48
Cash received from disposal of fixed assets and other long-term assets		204,769.34	483,459.13	204,769.34	422,540.88
Cash received from disposal of financial assets		62,000,000.00	2,256,300,000.00	40,000,000.00	2,225,300,000.00
Cash received relating to other investing activities	4(53)(c)	15,812,100.00	187,176,580.00	889,055,924.99	989,339,249.94
Sub-total of cash inflows		78,714,719.36	2,447,542,070.58	929,618,463.52	3,218,284,548.30
Cash paid to acquire fixed assets and other long-term assets		(137,399,875.35)	(69,646,491.28)	(59,308,156.08)	(13,181,991.68)
Cash paid to acquire financial assets		(62,000,000.00)	(2,227,300,000.00)	(40,000,000.00)	(2,195,300,000.00)
Cash paid to provide loans to subsidiaries		–	–	(1,099,650,000.00)	(517,000,000.00)
Cash paid relating to other investing activities	4(53)(d)	(10,000,000.00)	(169,521,580.00)	(10,000,000.00)	(169,521,580.00)
Sub-total of cash outflows		(209,399,875.35)	(2,466,468,071.28)	(1,208,958,156.08)	(2,895,003,571.68)
Net cash flows (used in)/generated from investing activities		(130,685,155.99)	(18,926,000.70)	(279,339,692.56)	323,280,976.62

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

	Note	2021 Consolidated	2020 Consolidated	2021 Company	2020 Company
3. Cash flows from financing activities					
Cash received from borrowings		1,153,000,000.00	1,603,383,160.00	1,005,000,000.00	903,640,000.00
Sub-total of cash inflows		1,153,000,000.00	1,603,383,160.00	1,005,000,000.00	903,640,000.00
Cash repayments of borrowings		(1,510,697,330.98)	(1,836,500,000.00)	(1,055,640,000.00)	(895,500,000.00)
Cash payments for interest expenses		(79,912,909.18)	(104,048,224.03)	(48,899,654.23)	(61,599,900.18)
Cash payments relating to other financing activities	4(53)(e)	(1,622,730.88)	–	(497,346.76)	–
Sub-total of cash outflows		(1,592,232,971.04)	(1,940,548,224.03)	(1,105,037,000.99)	(957,099,900.18)
Net cash flows used in financing activities		(439,232,971.04)	(337,165,064.03)	(100,037,000.99)	(53,459,900.18)
4. Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–
5. Net increase/(decrease) in cash and cash equivalents	4(54)(a)	113,124,531.21	(3,776,515.29)	103,538,677.32	6,560,503.31
Add: Cash and cash equivalents at beginning of year	4(54)(a)	263,452,546.93	267,229,062.22	241,720,615.83	235,160,112.52
6. Cash and cash equivalents at end of year	4(54)(b)	376,577,078.14	263,452,546.93	345,259,293.15	241,720,615.83

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:
Yan Zhijun

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

	Attributable to equity owners of the Company						Non-controlling interests (Note 5 (1))	Total owners' equity
	Share capital (Note 4 (32))	Capital surplus (Note 4 (33))	Specific reserve (Note 4 (34))	Surplus reserve (Note 4 (35))	Accumulated losses (Note 4 (36))	Sub-total		
Balance at 1 January 2020	552,500,000.00	4,258,569,997.76	–	249,625,789.74	(799,745,024.20)	4,260,950,763.30	(7,954,036.56)	4,252,996,726.74
Movements for the year ended 31 December 2020								
Comprehensive profit								
– Net profit	–	–	–	–	151,838,401.47	151,838,401.47	27,332,365.74	179,170,767.21
Total comprehensive profit	–	–	–	–	151,838,401.47	151,838,401.47	27,332,365.74	179,170,767.21
Appropriation to specific reserve	–	–	43,056,678.59	–	–	43,056,678.59	–	43,056,678.59
Utilisation of specific reserve	–	–	(43,056,678.59)	–	–	(43,056,678.59)	–	(43,056,678.59)
Balance at 31 December 2020	552,500,000.00	4,258,569,997.76	–	249,625,789.74	(647,906,622.73)	4,412,789,164.77	19,378,329.18	4,432,167,493.95
Balance at 1 January 2021	552,500,000.00	4,258,569,997.76	–	249,625,789.74	(647,906,622.73)	4,412,789,164.77	19,378,329.18	4,432,167,493.95
Movements for the year ended 31 December 2021								
Comprehensive profit								
– Net profit	–	–	–	–	515,585,412.10	515,585,412.10	(1,323,515.38)	514,261,896.72
Total comprehensive profit	–	–	–	–	515,585,412.10	515,585,412.10	(1,323,515.38)	514,261,896.72
Appropriation to surplus reserves	–	–	–	23,647,595.62	(23,647,595.62)	–	–	–
Appropriation to specific reserve	–	–	46,032,670.45	–	–	46,032,670.45	–	46,032,670.45
Utilisation of specific reserve	–	–	(46,032,670.45)	–	–	(46,032,670.45)	–	(46,032,670.45)
Balance at 31 December 2021	552,500,000.00	4,258,569,997.76	–	273,273,385.36	(155,968,806.25)	4,928,374,576.87	18,054,813.80	4,946,429,390.67

The following notes is a part of financial statement.

Legal representative:
Zhang Guohua

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Yan Zhijun

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

	Capital share	Capital reserves	Special reserve	Surplus reserves	Retained earning/ Accumulated losses	Total owner's equity
Balance at 1 January 2020	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(168,543,681.64)	4,888,336,965.59
Movements for the year ended 31 December 2020						
Comprehensive profit						
– Net profit	-	-	-	-	123,318,066.15	123,318,066.15
Total comprehensive profit	-	-	-	-	123,318,066.15	123,318,066.15
Appropriation to specific reserve	-	-	7,158,526.04	-	-	7,158,526.04
Utilisation of specific reserve	-	-	(7,158,526.04)	-	-	(7,158,526.04)
Balance at 31 December 2020	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(45,225,615.49)	5,011,655,031.74
Balance at 1 January 2021	552,500,000.00	4,254,754,857.49	-	249,625,789.74	(45,225,615.49)	5,011,655,031.74
Movements for the year ended 31 December 2021						
Comprehensive profit						
– Net profit	-	-	-	-	236,475,956.22	236,475,956.22
Total comprehensive profit	-	-	-	-	236,475,956.22	236,475,956.22
Appropriation to surplus reserves	-	-	-	23,647,595.62	(23,647,595.62)	-
Appropriation to specific reserve	-	-	7,833,338.57	-	-	7,833,338.57
Utilisation of specific reserve	-	-	(7,833,338.57)	-	-	(7,833,338.57)
Balance at 31 December 2021	552,500,000.00	4,254,754,857.49	-	273,273,385.36	167,602,745.11	5,248,130,987.96

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:
Yan Zhijun

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(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 is RMB300,000,000.00 which worth 1 Yuan per share.

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 which par value was RMB0.25 and transferred to the National Council for Social Security Fund of the PRC. Total capital increased to RMB552,500,000.00 after this issue.

On 9 March 2016, Shaanxi Honghao transferred all 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 3/25/2022.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(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)), measurement model of investment property (note 2(12)), depreciation of fixed assets and amortisation of intangible assets and right of use asset (note 2(13), (16), (30)), the standard of capitalized developed costs (note 2(16)) impairment of long-term assets (note 2(20)) and recognition and measurement of revenue (note 2(26)).

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

(1) Basis of preparation

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

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

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

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

The financial statements of the Company for the period ended 31 December 2021 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 31 December 2021 and of their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

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

(4) Recording currency

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(5) Business combinations

(a) Business combinations involving entities under common control

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

(b) Business combinations involving entities not under common control

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

(6) Preparation of consolidated financial statements

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(6) Preparation of consolidated financial statements (Continued)

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

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

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

A transaction will be adjusted from 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

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Financial instruments

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

(a) Financial assets

(i) Classification & Measurement

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

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

Debt instruments

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

At amortised cost:

The group's business model for managing such financial assets is to collect the contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. That is, the cash flows generated on a specific date, represent solely payment of the principal and interest on the outstanding principal amount. The Group recognises interest income for such financial assets in accordance with the effective interest method. Such financial assets mainly include cash and bank, notes and trade receivables, other receivables, debt investment and long-term receivables. The investment of debt and long-term receivables of the group that 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.

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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)

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.

Fair value through profit or loss (FVPL):

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

Equity instruments

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

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

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

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) *Impairment of financial assets*

The Group recognises provision based on expected credit losses for amortised cost and FVOCI, contract assets and financial guarantee contracts.

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

At each balance sheet date, the Group measures expected credit losses for financial instruments at different stages respectively. At first stage, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures 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 measures 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 measures the loss allowance for that financial instrument at an amount equal to full lifetime expected credit losses.

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

The Group calculates interest income for financial instruments that are in first and second stage, as well as those with lower credit risk, based on gross carrying amount before deduction of impairment provision and the effective interest rate. For financial instruments in third stage, interest income is calculated on amortised cost, which is net carrying amounts after the impairment provision, and the effective interest rate.

For notes receivable, accounts receivable, accounts receivable financing and contract assets derived from daily business activities such as sales of goods and rendering of services, the Group will measure the loss reserves according to the expected credit loss throughout its lifetime, regardless of whether there is significant financing component. For lease receivables, the Group also chooses to measure the loss, provision according to the expected credit loss throughout its lifetime.

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

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Impairment of financial assets (Continued)

When the expected credit loss could not be assessed at reasonable cost, the Group would group accounts receivable into several portfolios according to credit risk characteristics, then calculate the expected credit loss on group basis. The Group determines the classification of the portfolio as follows:

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

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

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

(iii) Derecognition of financial assets

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

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.

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

(9) Financial instruments (Continued)

(b) Financial liabilities

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

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

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

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. For the financial instrument which is not traded in 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 inputs are not available or feasible, unobservable inputs are adopted.

(10) Inventories

(a) Classification

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

(b) Valuation method of issued inventories

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

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

(10) Inventories (Continued)

(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.

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

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

(11) Long-term equity investments

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

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.

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

(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.

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(All amounts in RMB Yuan unless otherwise stated)

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

(11) Long-term equity investments (Continued)

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

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

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

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

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

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

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

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

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

(11) Long-term equity investments (Continued)

(d) Impairment of long-term equity investments

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

(12) Investment properties

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

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

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

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

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

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

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

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(All amounts in RMB Yuan unless otherwise stated)

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

(13) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

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%

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(All amounts in RMB Yuan unless otherwise stated)

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

(13) Fixed assets (Continued)

(b) Depreciation methods of fixed assets (Continued)

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(20)).

(d) Disposal of fixed assets

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

(14) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins 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(20)).

(15) Borrowing costs

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

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

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

(15) Borrowing costs (Continued)

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.

(16) Intangible assets

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

(a) Mining rights

Mining rights are stated at the actual cost. While mining rights acquired by the business combination are recognised at the fair value at the acquisition date, then subsequently are recorded at cost less accumulated amortisation and impairment losses. Mining rights are amortised upon the commencement of mining production using the straight-line method over 19 to 33 years.

(b) Exploration rights

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

(c) Land uses rights

Land use rights invested by the share shareholders holders are recognised at the value agreed by all the shareholders unless the agreed value is not fair. Purchased land use rights are stated at actual cost, while land use rights acquired by the business combination are recognised at the fair value at the acquisition date, then subsequently are recorded at cost less accumulated amortisation and impairment losses. Land use rights are amortised on 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.

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

(16) Intangible assets (Continued)

(e) Research and development

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

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

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

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

(f) Impairment of intangible assets

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

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

(17) Exploration assets and filling cost

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

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

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

(18) Goodwill

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

(19) Long-term prepaid expenses

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

(20) Impairment of long-term assets

Fixed assets, construction in progress, right of use assets, intangible assets with finite useful lives, investment property measured by cost method and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. For intangible assets which have not been ready to use, regardless of the existence of the indicators of impairment losses, the impairment tests should be carried out annually. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss 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.

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

(20) 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.

(21) 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, unemployed insurance and enterprise supplementary pension those of which are defined contribution plan.

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(All amounts in RMB Yuan unless otherwise stated)

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

(21) 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.

(d) Cash Stock Appreciation Right

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

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

(22) Share-based payment

(a) cash-settled share-based payment

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

(b) Basis for Recognizing the Best Estimate for Unlockable or Exercisable Equity Instruments

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

(23) Payables for specific projects

Payables for specific projects are the special or specific purpose funds that the Group obtained from governments as the owner of the enterprise, which should be included in the payables for specific projects when the funds are 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.

(24) Dividend distribution

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(25) 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.

(26) Revenue recognition

The Group recognises 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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(27) 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.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(29) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(30) Leases

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

As lessee:

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

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

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

As lessor:

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

(a) Operating lease

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(31) Segment information

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

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

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

(32) Critical accounting estimates and 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.

(a) The key criteria for selecting the accounting policies

(i) Classification of financial assets

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

The Group defines the business model for managing financial assets at the level of the portfolio of financial assets, taking into account 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

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(32) Critical accounting estimates and assumptions (Continued)

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

(ii) Criteria for judging significant increases in credit risk

Judgement of the Group for significant increase in credit risk is mainly based on whether the number of overdue days exceeds 30, or whether one or more of the following indicators changed significantly: business environment of the debtor, internal and external credit rating, significant changes in actual or expected operating results, significant decrease in value of collateral or credit rate of guarantor, etc.

Judgement of the Group on the occurred credit impairment is mainly based on whether the number of overdue days exceeds 90 (i.e., a default has occurred), or whether it meets one or more of the following conditions: the debtor is suffering significant financial difficulties, engaged in other debt restructuring, or probably bankrupt, etc.

(b) Critical accounting estimates and key assumptions

(i) Carrying amount of evaluate non-current assets

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

As at 31 December 2021, there was no impairment loss provided for fixed assets, construction in progress, land use rights and mining rights. The management identifies that a group of assets which can be able to generate independent cash flow includes fixed assets, construction in progress, land use rights, mining rights and exploration rights which can be determined as an independent cash generating unit. The recoverable amount of the cash generating units in fixed assets, construction in progress, land use rights, mining rights and exploration rights are determined the present value of the future cash flow expected to be derived from the asset. The present value has been determined by using the expected cash flow which approved by management, and the management's assumptions and estimates of selling price of metal, reserves and production volumes and discount rates. The key assumptions and estimates used in the recoverable amount calculation of assets include forecast of selling price of nickel and copper, discount rates.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(32) Critical accounting estimates and assumptions (Continued)

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

(ii) *Accounting estimates on impairment of goodwill*

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

As at 31 December 2021, there was no impairment for goodwill. The recoverable amounts of different cash generating units to which the goodwill, have been determined based on value-in-use calculations using cash flow projections, based on financial budgets approved by senior management and management's assumptions and estimates including forecast of selling prices of metal products, reserves and production volumes, discount rates and inflation rate. The discount rates used in cash flow projections varied with different cash generating units.

(iii) *Income tax*

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

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

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

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(32) Critical accounting estimates and assumptions (Continued)

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

(iii) *Income tax (Continued)*

As at 31 December 2021, deferred tax assets of RMB63,831,811.34 have been recognised in the Group's balance sheet. As stated in note 4(31)(d), the Group still has unrecognised deductible temporary losses of RMB65,982,194.01 at 31 December 2021. 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.

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

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

(v) *Mineral reserves*

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

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

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment losses. Depreciation rates are determined based on mineral reserve quantity being mined (the denominator) and capitalised costs of mining structures (the numerator). The capitalised cost of mining structures is amortised based on the units of non-ferrous metals produced.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(32) Critical accounting estimates and assumptions (Continued)

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

(vi) Net realisable value of inventories

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

(vii) Measurement of expected credit losses

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

In considering forward-looking information, the Group has considered the different macroeconomic scenarios. During the year 2021, the weights of the three economic scenarios (base, downside, upside) are 50%, 25% and 25%. The Group regularly monitors and reviews important macroeconomic assumptions and parameters related to the calculation of expected credit losses, including the risk of economic downturn, external market environment, technological environment, changes in customer conditions, GDP and CPI. In 2021, the Group has considered the uncertainty caused by COVID-19, and has updated the relevant assumptions and parameters accordingly. The key macroeconomic parameters used in the scenarios are listed below:

	Economic scenarios		
	base	downside	upside
GDP	5.2%	3.0%	6.6%
Sales Growth Rate of Non-ferrous Metal	10.6%	10.1%	11.1%

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(32) Critical accounting estimates and assumptions (Continued)

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

(vii) Measurement of expected credit losses (Continued)

In 2020, the key macroeconomic parameters used by the Group in the scenarios are listed below:

	base	Economic Scenarios	
		downside	upside
GDP	8.4%	4.8%	10.5%
Price Index of investment in fixed assets	7.3%	4.6%	13.8%
Sales Growth Rate of Non-ferrous Metal	16.9%	11.8%	17.7%

(viii) Share-based payment

The Group is required to annually estimate the percentage of grants that are expected to remain with the Group at the end of the vesting period of the share appreciation option (the "Expected Retention Rate") and the probability of meeting the performance conditions to determine the amount of share payments to be charged in the income statement. As at 31 December 2021, the Group's expected retention rate is assessed at 99.5% with 60%, 54% and 54% probability of meeting the performance conditions for each period.

(33) The Change of Important Accounting Policy:

Ministry of Finance issued 2021 the Fifth Q&A on Implementation of Accounting Standards for Business Enterprises on 2021 November. The group has adopted the above Q&A on implementation to prepare the financial statements of 2021, and the impact on the financial statements of the group and the company is listed below:

(a) Leasing related cash flow statement listed

The nature and the reasons of the changes in accounting policies	Name of the affected reported item	The amounts affected 2020	
		The Group	The Company
Before the control of goods is transferred to customers and for the fulfilment of sales contract. For the transportation costs incurred, the group and the company reclassify them from sales expenses to operating costs.	Selling expenses	(22,819,030.19)	—
	Operating costs	22,819,030.19	—

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION

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

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

(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) Pursuant to the provisions including 'Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances' (Cai Shui [2018] No. 54) and the 'Announcement on Extending the Implementation Period of Certain Preferential Tax Policies' (Cai Shui [2021] No. 6) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2023, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable profit in the next month after the asset is put into use, instead of being depreciated annually for tax filing.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (CONTINUED)

(1) Corporate income tax (Continued)

- (b) On 6 April 2012, the State Administration of Taxation announced about carrying out the Western Development Strategy on the issue of corporate income tax. As at 23 April 2020, according to the Continuation of the Corporate Income Tax Policy for Western Development issued by the State Administration of Taxation (Announcement of the Ministry of Finance [2020] No. 23), enterprises which were listed in the catalogue of encouraged industries would be levied corporate income tax at a reduced tax rate of 15% from 1 January 2021 to 31 December 2030. The Company 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% for the year ended 31 December 2021. (2020: 15%)
- (c) The applicable income tax rate of Shanghai Sales Branch of the Company is 25% in 2021 (2020: 25%).
- (d) The subsidiary Xinjiang Yakesi Resource Development Co., Ltd (hereafter “Xinjiang Yakesi”) 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% for the year ended 31 December 2021 (2020: 15%).
- (e) The subsidiary, Hami Jubao Resource Development Co., Ltd. (hereafter “Hami Jubao”) 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% for the year ended 31 December 2021 (2020: 15%).
- (f) The subsidiary, Xinjiang Kalatongke Mining Industry Co., Ltd. (hereafter “Kalatongke Mining”) 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% for the year ended 31 December 2021 (2020: 15%).
- (g) The subsidiary, Xinjiang Mengxi Mining Co., Ltd. (hereafter “Mengxi Mining”), applied the Small-Scaled Minimal Profit Enterprise income tax preferential policy announced by the State Administration of Taxation. Mengxi Mining calculated and paid corporate income tax for the preferential taxable income using the preferential rate of 20% for the year ended 31 December 2021 after communication with local tax authorities (2020: 20%).
- (h) Other subsidiaries, including Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter “Zhongxin Mining”), Beijing Xinding Shunze High Technology Co., Ltd. (hereafter “Beijing Xinding”) and Shaanxi Xinxin Mining Co., Ltd (hereafter “Shaanxi Xinxin”) are subject to corporate income tax rate of 25% in 2021 (2020: 25%).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

3 TAXATION (CONTINUED)

(2) Value-added tax

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

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

(3) Resources tax

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

(4) Environment tax

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2021	31 December 2020
Cash on hand	370.81	615.34
Cash at bank	376,576,707.33	263,451,931.59
Restricted cash at banks (a)	49,173,130.16	111,693,925.19
	425,750,208.30	375,146,472.12

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

	31 December 2021	31 December 2020
Deposits for issue of bank acceptance notes	49,167,530.16	93,998,022.76
ETC Guarantee	5,600.00	—
Deposits for letter of credit	—	17,695,902.43
	49,173,130.16	111,693,925.19

(2) Financial assets held for trading

	31 December 2021	31 December 2020
Financial assets that at fair value and through profit and loss	31,000,000.00	31,000,000.00

Financial assets held for trading is structured deposit which were purchased by the Group from the bank. The maximum risk exposure of the product which the Group purchased at the balance sheet date was the carrying amount of RMB31,000,000.00. The Group has no obligation or intention to provide financial support for this product.

(3) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	77,426,087.40	109,888,966.26
Less: provision for bad debts	(6,342,947.72)	(7,021,930.79)
	71,083,139.68	102,867,035.47

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (Continued)

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

	31 December 2021	31 December 2020
Less than one year	54,876,834.10	78,031,265.26
One to two years	11,668,314.21	9,124,198.00
Two to three years	1,530,787.44	1,551,219.22
Three to four years	1,538,680.32	2,271,568.55
Four to five years	2,271,568.55	9,263,023.37
More than five years	5,539,902.78	9,647,691.86
	77,426,087.40	109,888,966.26

(b) On 31 December, 2021, the top five accounts receivable were analysed as follows:

	Ending Balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	63,047,402.15	(637,079.84)	81.43%

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

(d) Provision for bad debts

	31 December 2021	31 December 2020
Provision for bad debts of Accounts receivable	(6,342,947.72)	(7,021,930.79)

The Group measures provision for bad debts based on the expected credit loss whether it has majority financing process.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (Continued)

(d) Provision for bad debts (Continued)

(i) On 31 December 2021, the related provision of bad debts of Accounts receivable analysis as follows:

Group – Related parties:

	31 December 2021			31 December 2020		
	Ending Balance	Provision for bad debts		Ending Balance	Provision for bad debts	
		Expected credit loss rate throughout the duration			Expected credit loss rate throughout the duration	
	Amount		Amount	Amount		Amount
Not overdue	2,803,793.83	0.15%	(4,181.63)	12,290,108.70	0.60%	(73,751.27)
1-6 months overdue	-	-	-	-	-	-
7-18 months overdue	11,419,200.21	3.28%	(374,654.07)	9,093,190.15	4.51%	(409,685.67)
More than 18 months overdue	7,128,200.61	30.99%	(2,208,908.19)	18,968,225.62	16.80%	(3,186,721.28)
	21,351,194.65		(2,587,743.89)	40,351,524.47		(3,670,158.22)

Group – Non-related parties:

	31 December 2021			31 December 2020		
	Ending Balance	Provision for bad debts		Ending Balance	Provision for bad debts	
		Expected credit loss rate throughout the duration			Expected credit loss rate throughout the duration	
	Amount		Amount	Amount		Amount
Not overdue	52,073,040.27	0.01%	(4,756.58)	65,741,156.56	0.01%	(7,825.09)
1-6 months overdue	-	-	-	-	-	-
7-18 months overdue	249,114.00	0.17%	(428.46)	-	-	-
More than 18 months overdue	3,752,738.48	99.93%	(3,750,018.79)	3,796,285.23	88.08%	(3,343,947.48)
	56,074,892.75		(3,755,203.83)	69,537,441.79		(3,351,772.57)

(ii) This period's amount of provision for bad debts is RMB1,783,938.94, the amount of reversal for bad debts is RMB2,462,922.01.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Accounts receivable (Continued)

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

(f) As at 31 December 2020 and 31 December 2021, there is no accounts receivable pledged as collaterals to bank for borrowings.

(4) Financing Receivables

	31 December 2021	31 December 2020
Bank acceptance notes	135,698,602.79	75,348,838.21

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

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

As of 31 December 2021, the Group has no pledged bank acceptance notes receivable listed in financing receivables. (31 December 2020: 0)

As of 31 December 2021, the Group's endorsements or discounted but yet outstanding notes for financing receivables are as follows:

	Terminated confirmation	Untermiated confirmation
Bank acceptance notes	265,370,283.73	68,011,924.00

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Advances to suppliers

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

	31 December 2021		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	19,330,752.25	78.57%	26,962,410.34	81.48%
1 to 2 years	1,351,050.14	5.49%	2,302,170.36	6.96%
2 to 3 years	460,302.28	1.87%	530,451.14	1.60%
Over 3 years	3,463,149.84	14.07%	3,294,630.70	9.96%
	24,605,254.51	100.00%	33,089,662.54	100.00%

On 31 December 2021, advances to suppliers over 1 year with carrying amount of RMB5,274,502.26 (31 December 2020: RMB6,127,252.20) were mainly advances paid for purchasing raw materials because the purchased goods have not arrived yet and have quality disputes, the budget has not yet been settled.

(b) As of 31 December 2021, the top five advances to suppliers were analysed as follows:

	Amount	% of total balance
Total amount of the top five advances to suppliers	14,019,488.07	56.98%

(6) Other receivables

	31 December 2021	31 December 2020
Accounts receivable from related parties (note 8(6)(b))	15,625,903.95	24,380,687.59
Beitun Aletai Railway Investment Funds	2,000,000.00	2,000,000.00
Futures margin	150,000.00	150,000.00
Accounts receivable from equity and debt transfer	—	5,812,100.00
Environmental management deposit	—	3,991,966.21
Others	3,821,998.18	3,300,602.27
	21,597,902.13	39,635,356.07
Less: provision for bad debts (b)	(2,203,600.41)	(8,025,662.19)
	19,394,301.72	31,609,693.88

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (Continued)

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

	31 December 2021	31 December 2020
Less than one year	2,821,597.97	3,868,975.67
One to two years	3,013,030.91	4,293,843.33
Two to three years	169,620.06	140,246.98
More than three years	15,593,653.19	31,332,290.09
	21,597,902.13	39,635,356.07

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

	Stage 1		Stage 2		Total
	Expected credit loss for the next 12 months (by group)		Lifetime Expected credit loss (without incurred credit loss)		
	Balance	Provision	Balance	Provision	Provision of bad debt
31 December 2020	31,823,256.07	(213,562.19)	7,812,100.00	(7,812,100.00)	(8,025,662.19)
Increase during this year	48,791,517.11	-	-	-	-
Decrease during this year	(61,016,871.05)	-	(5,812,100.00)	-	-
Including: written-off Derecognition	-	-	-	-	-
	(61,016,871.05)	-	(5,812,100.00)	-	-
Provision increase/transferred out during this year i)	-	9,961.78	-	5,812,100.00	5,822,061.78
31 December 2021	19,597,902.13	(203,600.41)	2,000,000.00	2,000,000.00	(2,203,600.41)

- i) Except for the change of bad debt provision caused by the increase and decrease of funds in the current year and the conversion between the first and third stages, there is no change of bad debt provision this year caused by the change of parameter data used to determine the expected credit loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (Continued)

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

- (i) On 31 December 2021, the analysis of provision for bad debts of other receivables in the first stage was as follows:

	Ending Balance	Expected credit losses in the next 12 months	Provision for bad debts	Reason
On the grouping basis:				
Related party	15,625,903.95	0.46%	(72,255.41)	
Staff Reserve	89,277.82	—	—	
Other	3,882,720.36	3.38%	(131,345.00)	
	19,597,902.13		(203,600.41)	

On 31 December 2021, the analysis of bad debts for other receivables on the individual basis was analysed as follows:

In the second phase:	Ending Balance	Expected credit losses in whole period	Provision for bad debts	Reason
Funds receivable from Bei'a Railway Co., Ltd	2,000,000.00	100.00%	(2,000,000.00)	1)

- 1) On 31 December 2021, the amounts of accounts receivable from Xinjiang Bei'a Railway Co. Ltd. is RMB2,000,000.00. However, because the construction project Beitun Ataile Railway do not have significant progress, the Group considers that it is too difficult to recover the investment section, the full amount of provision for bad debt is measured.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (Continued)

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

(ii) On 31 December 2020, the analysis of provision for bad debts of other receivables in the first stage was as follows:

	Ending Balance	Expected credit losses in the next 12 months	Provision for bad debts	Reason
On the grouping basis:				
Relate party	24,380,687.59	0.48%	(117,215.78)	
Staff Reserve	243,390.38	—	—	
Other	7,199,178.10	1.34%	(96,346.41)	
	31,823,256.07		(213,562.19)	

On 31 December 2020, the analysis of bad debts for other receivables on the individual basis was analysed as follows:

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

1) On 31 December 2020, the amount of accounts receivable of equity and debts transfer from Gansu Ximai New Material Technology Co., Ltd is RMB5,812,100.00. However, because they have financial strain and are involved in several lawsuits, the Group considers that it is too difficult to recover the other receivables, the full amount of provision for bad debt is measured.

2) On 31 December 2020, the amount of accounts receivable from Xinjiang Bei'a Railway Co., Ltd. is RMB2,000,000.00. However, because the construction project Beitun Ataille Railway do not have significant progress, the Group considers that it is too difficult to recover the investment section, the full amount of provision for bad debt is measured.

(iii) On 31 December 2021 and 31 December 2020, the Group did not have other receivables in the third stage.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Other receivables (Continued)

(c) The provision for bad debt is RMB16,414.00 and reversal of bad debt provision amount is 5,838,475.78.

(d) No write-off of other receivables occurred during this years.

(e) As of 31 December 2021, the top five other receivables were analysed as follows:

	Nature	Ending Balance	Ageing	Ageing % of total balance	Provision of bad debts
Hami Jinhui Real Estate Development Co., Ltd.	Transfer of receivables	14,351,623.20	Over 5 years	66.45%	(63,269.86)
Xinjiang Bei'a Railway Co. Ltd	Transfer of receivables	2,000,000.00	Over 5 years	9.26%	(2,000,000.00)
Fuyun Hengsheng Beryllium Industry Co. Ltd.	Movable fees receivable	938,570.68	Within 1 year	4.35%	(7,388.50)
Gansu Jiugang Group Hongxing Iron and Steel Co. Ltd	Guarantee receivable	150,000.00	1-2 years	0.69%	(116.37)
Xinjiang Qianxin Mining Co. Ltd	Accounts receivable generation advances	140,205.87	Within 1 year	0.65%	(650.30)
		17,580,399.75		81.40%	(2,071,425.03)

(7) Inventories

(a) Classification of inventories was as follows:

	31 December 2021			31 December 2020		
	Provision for declines in value of inventories			Provision for declines in value of inventories		
	Ending balance	Carrying amount		Ending balance	Carrying amount	
Raw materials	161,536,353.27	(543,427.80)	160,992,925.47	183,852,394.48	(543,427.80)	183,308,966.68
Work in progress	132,317,892.33	-	132,317,892.33	113,007,816.53	-	113,007,816.53
Semi-finished goods	739,815,875.90	-	739,815,875.90	778,925,907.37	-	778,925,907.37
Finished goods	405,149,461.24	(2,630,520.40)	402,518,940.84	307,253,337.84	(6,873,027.70)	300,380,310.14
	1,438,819,582.74	(3,173,948.20)	1,435,645,634.54	1,383,039,456.22	(7,416,455.50)	1,375,623,000.72

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Inventories (Continued)

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

	31 December 2020	Increase in current period Accrue ment	Decrease in current period Reversa	Write-off	31 December 2021
Raw materials	(543,427.80)	–	–	–	(543,427.80)
Finished goods	(6,873,027.70)	(6,557,267.13)	3,010,345.02	7,789,429.41	(2,630,520.40)
	(7,416,455.50)	(6,557,267.13)	3,010,345.02	7,789,429.41	(3,173,948.20)

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

(8) Other current assets

	31 December 2021	31 December 2020
Input VAT to be deducted	31,804,091.87	33,183,704.37
Prepaid income tax	10,700,167.15	10,332,126.30
	42,504,259.02	43,515,830.67

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Long-term equity investments

	31 December 2021	31 December 2020
Joint venture (a)	154,458,773.68	155,334,463.09
Less: provision of long-term equity investments	—	—
	154,458,773.68	155,334,463.09

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

(a) Joint venture

	31 December 2020	Share of net profit using the equity method (note 4 (46))	Offsetting the unrealised loss of internal transaction (note 5 (2)b)	Impairment provided in the current year	31 December 2021	Provision for impairment
Hexin Mining	155,334,463.09	26,125,531.49	(27,001,220.90)	—	154,458,773.68	—

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Investment property

	Buildings	Land use rights	Total
Cost			
31 December 2020	–	–	–
Increase during in current year			
Transfer from fixed assets/			
Intangible assets	169,991,345.25	68,551,732.40	238,543,077.65
Decrease during in current year			
31 December 2021	169,991,345.25	68,551,732.40	238,543,077.65
Accumulated depreciation/ Amortization			
31 December 2020	–	–	–
Increase during in current year			
Accrual	3,399,013.74	1,371,034.68	4,770,048.42
Transfer from Fixed assets/ Intangible assets	–	12,339,311.92	12,339,311.92
31 December 2021	3,399,013.74	13,710,346.60	17,109,360.34
Carrying vaule			
31 December 2021	166,592,331.51	54,841,385.80	221,433,717.31
31 December 2020	–	–	–

In 2021, the amounts of depreciation and amortization is RMB4,770,048.42 (In 2020: Nil).

In 2021, the Group changed the building with the book value of RMB 169,991,345.25 and the land use right of RMB 56,212,420.48 (Cost: RMB 68,551,732.40) to lease. Since the date of change of use, the corresponding construction in progress and intangible assets will be converted into investment properties accounts respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Fixed assets

(a) Fixed assets

	Buildings	Mining structure	Machinery and equipment	Motor vehicles	Electronic and office equipment	Total
Cost						
31 December 2020	1,884,190,893.34	1,323,975,751.56	1,606,495,083.69	48,312,070.21	108,762,538.01	4,971,736,336.81
Additions						
Purchase	2,107,238.03	338,543.69	32,395,910.51	4,193,996.02	7,056,000.64	46,091,688.89
Transfer-in from construction in progress (note 4(12) (a))	12,022,543.73	552,590,745.41	42,733,862.87	–	70,018.00	607,417,170.01
Reductions						
Disposal and retirement	(13,357,103.35)	–	(19,241,883.49)	(6,672,185.92)	(5,595,377.38)	(44,866,550.14)
31 December 2021	1,884,963,571.75	1,876,905,040.66	1,662,382,973.58	45,833,880.31	110,293,179.27	5,580,378,645.57
Accumulated depreciation						
31 December 2020	582,184,019.23	276,002,217.15	942,697,875.78	40,163,233.14	77,103,649.66	1,918,150,994.96
Accrue ment						
Provision	60,065,782.19	42,258,174.30	116,624,116.83	1,728,064.24	7,572,208.94	228,248,346.50
Decrease during the period						
Disposals or retirements	(12,951,948.70)	–	(18,507,547.87)	(6,472,020.34)	(5,145,901.26)	(43,077,418.17)
31 December 2021	629,297,852.72	318,260,391.45	1,040,814,444.74	35,419,277.04	79,529,957.34	2,103,321,923.29
Net Book Value						
31 December 2021	1,255,665,719.03	1,558,644,649.21	621,568,528.84	10,414,603.27	30,763,221.93	3,477,056,722.28
31 December 2020	1,302,006,874.11	1,047,973,534.41	663,797,207.91	8,148,837.07	31,658,888.35	3,053,585,341.85

In 2021, depreciation expense of fixed assets amounted to RMB228,248,346.50 (in 2020: RMB216,751,708.69), of which RMB213,914,806.32 were charged to cost of sales, RMB13,864,534.09 to general and administrative expenses, RMB83,136.47 to selling expense and RMB385,869.62 to research and development expenses (In 2020: RMB204,956,837.10, RMB11,703,543.42, RMB91,328.17 and RMB0.00 respectively).

The costs of fixed assets transferred-in from construction in progress amounted to RMB607,417,170.01 (Year 2020: RMB410,124,624.62).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Fixed assets (Continued)

(b) Temporarily idle fixed assets

On 31 December 2021, fixed assets with carrying amount of RMB13,222,428.93 (Cost of RMB63,330,614.66) were temporarily idle for the purpose of production facility improvement (31 December 2020: RMB14,267,550.87 (cost of RMB64,272,511.17)), and analysed as follows:

	Costs	Accumulated depreciation	Net Book Value
Machinery and equipment	32,296,112.85	(29,201,790.35)	3,094,322.50
Buildings	22,879,595.04	(20,090,870.50)	2,788,724.54
Electronic and office equipment	8,154,906.77	(815,524.88)	7,339,381.89
	63,330,614.66	(50,108,185.73)	13,222,428.93

(c) Fixed assets with pending certificates of ownership

On 31 December 2021, the carrying amount of RMB353,797,737.29 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.

(12) Construction in progress

	31 December 2021	31 December 2020
Construction in progress (a)	481,069,884.20	1,094,812,179.15
Construction materials (b)	17,549.34	17,549.34
	481,087,433.54	1,094,829,728.49

NOTES TO FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Construction in progress (Continued)

a. Construction in progress

	31 December 2021			31 December 2020		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
The Company:						
Headquarters						
Periphery Cooper mining in Fuyun Kalatongke	2,255,717.87	-	2,255,717.87	2,255,717.87	-	2,255,717.87
Fukang Refinery						
Final stage improvements for 10,000 tons of nickel	1,220,358.45	-	1,220,358.45	1,220,358.45	-	1,220,358.45
Nickel system release cobalt project	11,553,864.95	-	11,553,864.95	9,807,783.63	-	9,807,783.63
Compression and leaching of copper slag project	14,131,617.50	-	14,131,617.50	11,327,223.33	-	11,327,223.33
Installation project of nickel starting plate processing units and nickel packaging units	1,700,000.00	-	1,700,000.00	1,700,000.00	-	1,700,000.00
75 tons desulfurization denitrification project	16,324,327.24	-	16,324,327.24	6,271,295.40	-	6,271,295.40
Substation expansion and transformation project	9,743,755.02	-	9,743,755.02	6,731,113.96	-	6,731,113.96
The steam pipe network transformation	7,058,051.01	-	7,058,051.01	3,687,424.27	-	3,687,424.27
Boiler coal to gas projects	4,483,580.65	-	4,483,580.65	-	-	-
Pump and autoclave equipment project	7,289,400.43	-	7,289,400.43	-	-	-
Red slag storage fully enclosed construction	2,752,293.57	-	2,752,293.57	-	-	-
Other projects	24,197,547.56	-	24,197,547.56	19,147,116.34	-	19,147,116.34
Sub-total of the Company	102,710,514.25	-	102,710,514.25	62,148,033.25	-	62,148,033.25
Subsidiaries:						
Kalatongke Mining						

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Construction in progress (Continued)

a. Construction in progress (Continued)

	31 December 2021			31 December 2020		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Final stage mining for 10,000 tons of nickel	12,924,423.09	-	12,924,423.09	101,972,772.60	-	101,972,772.60
Final stages of mining extension	17,679,819.03	-	17,679,819.03	114,604,663.41	-	114,604,663.41
Resource exploration project	31,043,913.55	-	31,043,913.55	40,680,461.85	-	40,680,461.85
Fugitive gas desulphurization project	59,929,364.71	-	59,929,364.71	48,260,480.33	-	48,260,480.33
Tailings storage reclamation project	49,475.57	-	49,475.57	967,197.52	-	967,197.52
Jiaowu tailings pond geofabriform method tailings dam	13,039,460.64	-	13,039,460.64	7,651,791.29	-	7,651,791.29
Smelter sewage treatment system	8,021,328.37	-	8,021,328.37	5,750,736.51	-	5,750,736.51
Smelters 100000 tons of material storage	18,588,971.86	-	18,588,971.86			
Other constructions in progress for production	43,934,114.18	-	43,934,114.18	48,341,260.45	-	48,341,260.45
Xinjiang Yakesi						
Huangshanxi mining and ore processing project	55,149,267.18	-	55,149,267.18	364,033,903.05	-	364,033,903.05
Other projects	667,459.43	-	667,459.43	667,459.43	-	667,459.43
Hami Jubao						
Huangshandong #12 mine project	113,286,916.79	-	113,286,916.79	113,058,657.82	-	113,058,657.82
Zhongxin Mining						
Other projects	2,010,782.55	-	2,010,782.55	2,010,782.55	-	2,010,782.55
Shaanxi Xinxin						
Other projects	2,034,073.00	-	2,034,073.00	2,034,073.00	-	2,034,073.00
Beijing Xinding						
Construction projects of the base for research and ware housing	-	-	-	182,629,906.09	-	182,629,906.09
Sub-total of subsidiaries	378,359,369.95	-	378,359,369.95	1,032,664,145.90	-	1,032,664,145.90
Total	481,069,884.20	-	481,069,884.20	1,094,812,179.15	-	1,094,812,179.15

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Construction in progress (Continued)

a. Construction in progress (Continued)

Project name	Budget	31 December 2020	Current year increase	Transfer to fixed assets	Transfer to investment property	Transfer to development cost	Transfer to intangible assets	Other decrease	31 December 2021	Engineering investment proportion of the budget	The accumulative amount of the capitalization of borrowing costs	Including borrowing costs capitalised in current year	Capitalization rate	Source of funds
The company Headquarters														
Periphery Cooper mining in Iyün kalatongle	2,500,000.00	2,255,717.87	-	-	-	-	-	-	2,255,717.87	90.23%	-	-	-	self-raised
Fikang Refinery														
Final stage improvements for 10,000 tons of nickel	10,000,000.00	1,220,358.45	-	-	-	-	-	-	1,220,358.45	33.96%	-	-	-	self-raised
Nickel system release cobalt projec	12,000,000.00	9,807,783.63	1,746,081.32	-	-	-	-	-	11,553,864.95	96.28%	-	-	-	self-raised
Compression and leaching of copper slag project	14,500,000.00	11,327,223.33	2,804,394.17	-	-	-	-	-	14,131,617.50	97.46%	-	-	-	self-raised
Installation project of nickel starting plate processing units and nickel packaging units	2,000,000.00	1,700,000.00	-	-	-	-	-	-	1,700,000.00	85.00%	-	-	-	self-raised
75 tons desulfurization denitrification project	25,000,000.00	6,271,295.40	10,053,031.84	-	-	-	-	-	16,324,327.24	65.30%	-	-	-	self-raised
Substation expansion and transformation project	12,000,000.00	6,731,113.96	3,012,641.06	-	-	-	-	-	9,743,755.02	81.20%	-	-	-	self-raised
The steam pipe network transformation	11,730,000.00	3,687,424.27	3,370,626.74	-	-	-	-	-	7,058,051.01	60.17%	-	-	-	self-raised
Boiler coal to gas projects	16,000,000.00	-	4,483,580.65	-	-	-	-	-	4,483,580.65	28.02%	-	-	-	self-raised
Pump and autoclave equipment project	19,500,000.00	-	7,289,400.43	-	-	-	-	-	7,289,400.43	37.21%	-	-	-	self-raised
Red slag storage fully enclosed construction	5,500,000.00	-	2,752,293.57	-	-	-	-	-	2,752,293.57	50.04%	-	-	-	self-raised
Other projects	40,037,882.23	19,147,116.34	5,126,917.13	-	-	-	-	(76,485.91)	24,197,547.56	60.44%	-	-	-	self-raised
Sub-total of the Company	170,857,882.23	62,148,033.25	40,638,966.91	-	-	-	-	(76,485.91)	102,710,514.25					

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Construction in progress (Continued)

a. Construction in progress (Continued)

Project name	Budget	31 December 2020	Current year increase	Transfer to fixed assets	Transfer to investment property	Transfer to development cost	Transfer to intangible assets	Other decrease	31 December 2021	Engineering investment proportion of the budget	The accumulative amount of the capitalization of borrowing costs	Including borrowing costs capitalised in current year	Capitalization rate	Source of funds
Subsidiaries														
Kalatongke Mining														
Final stage mining for 10,000 tons of nickel	29,700,386.83	101,972,772.60	123,399,862.52	(101,432,444.27)	-	-	-	(455,767.76)	12,924,423.09	43.52%	3,654,986.91	-	-	self-raised
Expansion of post-mining projects	91,625,200.65	114,604,663.41	6,099,954.97	(103,024,799.35)	-	-	-	-	17,679,819.03	19.30%	-	-	-	self-raised
Mine exploration project	31,516,057.84	40,680,461.85	3,596,382.08	-	-	(1,561,007.99)	(6,410,740.17)	(5,261,182.22)	31,043,913.55	98.50%	-	-	-	self-raised
Ring set flue gas desulfurization project	80,000,000.00	48,260,480.33	11,668,884.38	-	-	-	-	-	59,929,364.71	74.91%	-	-	-	self-raised
Tailings pond closed reclamation project	1,262,956.23	967,197.52	2,420,421.82	(3,338,143.77)	-	-	-	-	49,475.57	3.92%	-	-	-	self-raised
Jawur tailings dam by mold bag method	13,064,200.00	7,651,791.29	5,387,668.35	-	-	-	-	-	13,039,460.64	99.81%	-	-	-	self-raised
Smelter sewage treatment system engineering	8,650,000.00	5,750,736.51	2,270,591.86	-	-	-	-	-	8,021,328.37	99.64%	-	-	-	self-raised
Smelter 100,000 tons of material storage	32,500,000.00	-	18,588,971.86	-	-	-	-	-	18,588,971.86	57.20%	-	-	-	self-raised
Other projects under construction for production	121,371,003.38	48,341,260.45	37,420,976.68	(23,240,951.00)	-	(2,520,282.26)	(16,037,412.11)	(29,477.58)	43,934,114.18	36.20%	-	-	-	self-raised
Xinjiang Yakasi														
Huangshan West Mine mining and beneficiation project	1,185,673,185.74	364,033,903.05	50,877,378.39	(357,232,757.38)	-	(2,353,756.88)	-	(175,500.00)	55,149,267.18	4.65%	-	5,174,779.25	6.27%	self-raised
Other engineering	800,000.00	667,459.43	-	-	-	-	-	-	667,459.43	83.43%	-	-	-	self-raised
Hami Jubao														
Huangshan East No. 12 mine Project	177,312,100.00	113,058,657.82	228,258.97	-	-	-	-	-	113,286,916.79	63.89%	-	-	-	self-raised
Other incidental works	21,000,000.00	2,010,782.55	-	-	-	-	-	-	2,010,782.55	9.58%	-	-	-	self-raised
Shaanxi Xinxin														
Other engineering	10,000,000.00	2,034,073.00	-	-	-	-	-	-	2,034,073.00	20.34%	-	-	-	self-raised
Beijing Xinding														
Research and development warehouse base construction	-	182,629,906.09	6,509,513.40	(19,148,074.24)	(169,991,345.25)	-	-	-	-	-	-	-	-	self-raised
Sub-total of subsidiaries	1,803,875,090.67	1,032,664,145.90	157,908,866.28	(607,417,170.01)	(169,991,345.25)	(6,435,047.13)	(22,448,152.28)	(5,921,927.56)	378,359,369.95		3,654,986.91	5,174,779.25		
Total	1,974,732,972.90	1,094,812,179.15	198,547,833.19	(607,417,170.01)	(169,991,345.25)	(6,435,047.13)	(22,448,152.28)	(5,998,413.47)	481,069,884.20		3,654,986.91	5,174,779.25		

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Construction in progress (Continued)

(b) Construction materials

	31 December 2021	31 December 2020
Construction materials	17,549.34	17,549.34

(13) Right of use assets

	Buildings	Land use right	Total
Cost			
31 December 2020	—	—	—
Current year increase			
New lease contract	3,779,037.71	3,222,363.78	7,001,401.49
31 December 2021	3,779,037.71	3,222,363.78	7,001,401.49
Accumulated depreciation			
31 December 2020	—	—	—
Current year increase			
Accrual	460,858.26	246,551.10	707,409.36
31 December 2021	460,858.26	246,551.10	707,409.36
Carrying amount			
31 December 2021	3,318,179.45	2,975,812.68	6,293,992.13
31 December 2020	—	—	—

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(14) Intangible assets

	Mining rights	Exploration rights	Land use rights	Others	Total
Cost					
31 December 2020	702,169,849.93	208,153,000.00	223,620,457.11	3,446,360.82	1,137,389,667.86
Additions – Purchase	58,735,829.02	–	234,971.11	99,380.53	59,070,180.66
Additions – Transfer from construction in progress	6,410,740.17	–	16,037,412.11	–	22,448,152.28
Deduction – transfer to investment property	–	–	(68,551,732.40)	–	(68,551,732.40)
31 December 2021	767,316,419.12	208,153,000.00	171,341,107.93	3,545,741.35	1,150,356,268.40
Accumulated amortisation					
31 December 2020	198,644,318.09	–	55,564,084.46	2,239,186.76	256,447,589.31
Additions – Accrue ment	22,925,952.65	–	2,584,414.05	252,524.49	25,762,891.19
Decrease – transfer to investment property	–	–	(12,339,311.92)	–	(12,339,311.92)
31 December 2021	221,570,270.74	–	45,809,186.59	2,491,711.25	269,871,168.58
Provision for impairment					
31 December 2020	–	135,543,621.45	–	–	135,543,621.45
Additions – Accrue ment	–	–	–	–	–
31 December 2021	–	135,543,621.45	–	–	135,543,621.45
Net book value					
31 December 2021	545,746,148.38	72,609,378.55	125,531,921.34	1,054,030.10	744,941,478.37
31 December 2020	503,525,531.84	72,609,378.55	168,056,372.65	1,207,174.06	745,398,457.10

In 2021, amortisation expense of intangible assets amounted to RMB25,762,891.19 (Year 2020: RMB24,555,773.49).

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(14) Intangible assets (Continued)

The exploration rights owned by the Group were obtained from the acquisition of the Shaanxi Xinxin Xianghe Street Vanadium Mine and the Mujahe Vanadium Mine in 2011. The exploration rights certificates expired on December 31, 2020. The prospecting certificate for the Mujahe Vanadium Mine was approved on February 3, 2021, and the validity period is extended to February 3, 2023. The Group is still applying for the extension of the validity period of the Xianghe Street Vanadium Mine Prospecting Right Certificate, and the relevant procedures have not been approved until the reporting date.

Expenditures on research and development incurred in 2021 amount to RMB 77,992,204.16 (2020: RMB Nil), of which RMB 69,089,249.17 (2020: RMB Nil) is recognised as research and development expenses for the current period and RMB 8,902,954.99 (2020: RMB Nil) recognised as development costs.

(15) Goodwill

	31 December 2020	Current year Additions	Current year Decease	31 December 2021
Acquiring Zhongxin Mining	17,844,894.10	–	–	17,844,894.10
Acquiring Xinjiang Yakesi and Hami Jubao	9,987,911.01	–	–	9,987,911.01
	27,832,805.11	–	–	27,832,805.11

In the goodwill impairment assessment, the Group compared the carrying amount of underlying assets or the group of assets(including goodwill) with the recoverable amount. If the recoverable amount lower than the carrying amount, the relevant difference was recorded as profit or loss for the current period.

According to the three-year budget approved by the management, the recoverable amount of asset groups and sets of asset groups, which is estimated by using the fixed growth rate and is calculated by using the discounted cash flow models.

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Goodwill (Continued)

At 2021, 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%
Pre-tax discount rate	14%	14%

At 2020, 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%
Pre-tax discount rate	14%	14%

The weighted average growth rates applied by management are referred to those estimated in the industry reports, and do not exceed the long-term average growth rates of each product. Management determines budgeted gross margin based on past experience and forecast on future market development. The discount rates used by management are the pre-tax interest rates that are able to reflect the specific risks to the related asset groups and sets of asset groups. The above assumptions are used to assess the recoverable amount of each asset group and the sets of asset groups.

(16) Other non-current assets

	31 December 2021	31 December 2020
Prepaid utilities (a)	19,944,115.00	28,444,977.50

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

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(17) Provision for asset impairment

	31 December 2020	Current year Additions (note 4 (44),4(45))	Current year Decrease Reversal	Current year Decrease Sold (note 4(7)(b))	31 December 2021
Provision for bad debts	15,047,592.98	1,800,352.94	(8,301,397.79)	–	8,546,548.13
Including: Accounts receivable	7,021,930.79	1,783,938.94	(2,462,922.01)	–	6,342,947.72
Other receivables	8,025,662.19	16,414.00	(5,838,475.78)	–	2,203,600.41
Provision for impairment of intangible assets	135,543,621.45	–	–	–	135,543,621.45
Provision for decline in value of inventories	7,416,455.50	6,557,267.13	(3,010,345.02)	(7,789,429.41)	3,173,948.20
	158,007,669.93	8,357,620.07	(11,311,742.81)	(7,789,429.41)	147,264,117.78

(18) Financial liabilities held for trading

	31 December 2021	31 December 2020
Gold leasing and corresponding future contract	–	149,743,160.00

In the year 2020, Kalatongke mining and Xinjiang Yakesi signed the gold leasing contracts with banks respectively to obtain short-term financing and entered into gold future contract through the bank according to the lease and sales volume to avoid the price risk. On 31 December 2021, the fair value of gold leasing and gold futures was expired.

(19) Notes payable

	31 December 2021	31 December 2020
Bank acceptance notes	188,000,000.00	331,350,000.00

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(20) Accounts payable

	31 December 2021	31 December 2020
Payable for purchase of materials	329,061,929.52	194,437,981.94
Payable for purchase of services	54,911,790.34	56,485,148.17
Payable for transportation fees	8,321,788.47	11,142,909.99
Others	1,927,351.34	1,369,121.55
	394,222,859.67	263,435,161.65

(a) As at 31 December 2021, accounts payable over one year with carrying amount of RMB35,434,091.96 (31 December 2020: RMB26,221,918.50) were mainly payables for purchase of materials. Due to the dispute over the quality of materials, the payment has not been settled.

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

	31 December 2021	31 December 2020
Within 3 months	287,956,104.59	213,182,830.07
3 to 6 months	60,312,278.06	14,712,193.72
6 to 12 months	10,520,385.06	9,318,219.36
Over 12 months	35,434,091.96	26,221,918.50
	394,222,859.67	263,435,161.65

(21) Contract Liabilities

	31 December 2021	31 December 2020
Advances on sales	14,476,895.38	38,851,683.14

(a) On 31 December 2021, The balance of the Group's contract liabilities was RMB14,476,895.38, of which RMB37,898,281.68 has been recognised as revenue in 2021.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Employee benefits payable

	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	72,787,451.51	57,095,393.10
Defined contribution plans payable (b)	606,455.67	6,045.13
	73,393,907.18	57,101,438.23

(a) Short-term employee benefit payable

	31 December 2020	Current period additions	Current period payments	31 December 2021
Salaries, bonuses, allowances and subsidies	45,488,869.59	223,699,262.61	(207,076,246.54)	62,111,885.66
Staff welfare	–	12,676,829.77	(12,676,829.77)	–
Social insurances	2,755.79	18,190,713.77	(18,189,395.37)	4,074.19
Including: Medical insurance	2,755.79	15,574,832.21	(15,546,513.81)	4,074.19
Work injury insurance	–	2,640,290.52	(2,640,290.52)	–
Illness insurance	–	2,591.4	(2,591.04)	–
Housing funds	653,878.00	21,679,898.00	(22,333,776.00)	–
Labor union fund and employee education fund	10,686,417.72	5,741,806.79	(6,164,411.85)	10,263,812.66
Other short-time salary	263,472.00	4,581,749.76	(4,437,542.76)	407,679.00
	57,095,393.10	286,570,260.70	(270,878,202.29)	72,787,451.51

(b) Defined contribution plans payable

	31 December 2020	Current period additions	Current period payments	31 December 2021
Pension insurance	–	29,645,572.24	(29,645,572.24)	–
Enterprise annuity payment	–	9,793,295.90	(9,192,982.16)	600,313.74
Unemployment insurance	6,045.13	924,658.06	(924,561.26)	6,141.93
	6,045.13	40,363,526.20	(39,763,115.66)	606,455.67

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

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(23) Taxes payable

	31 December 2021	31 December 2020
Value added tax	16,617,813.11	4,845,772.62
Resource tax	12,940,017.39	4,654,903.57
Income tax	3,029,151.48	4,784.26
Urban construction tax	759,349.42	121,056.38
Educational surcharge	533,179.10	247,484.18
Stamp duty	457,897.28	314,798.98
Individual income tax	226,376.95	120,241.47
Environmental tariff	77,916.76	115,656.54
Others	6,012.33	6,012.33
	34,647,713.82	10,430,710.33

(24) Other payables

	31 December 2021	31 December 2020
Payables due to third parties for construction projects	43,404,566.61	41,699,505.32
Payables due to related parties (note 8(6) (d))	19,144,445.40	33,540,151.86
Payables for purchase of equipments	17,669,203.09	19,081,495.46
Payable for professional service	3,006,311.62	2,810,051.02
Deposit for quality guarantee	2,335,510.00	3,142,141.00
Interest of borrowings	316,983.34	2,616,451.09
Others	14,297,987.07	21,207,894.77
	100,175,007.13	124,097,690.52

- (a) As at 31 December 2021, other payables over 1 year with carrying amount of RMB35,261,072.73(31 December 2020: RMB32,532,223.69) 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.

(25) Current portion of non-current liabilities

	31 December 2021	31 December 2020
Current portion of long-term borrowings (note 4(26) (a))	595,000,000.00	442,500,000.00
Current portion of long-term payable (note 4(28))	3,633,849.28	–
Current portion of lease liabilities (note 4(27))	2,319,016.31	–
	600,952,865.59	442,500,000.00

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(26) Borrowings

(a) Long-term borrowings

	31 December 2021	31 December 2020
Unsecured loans	984,000,000.00	1,224,000,000.00
Less: current portion of long-term borrowing (note 4(25))	(595,000,000.00)	(442,500,000.00)
	389,000,000.00	781,500,000.00

As at 31 December 2021, the long-term borrowings were due for repayment since April 2022. The interests are paid on a quarterly basis. As at 31 December 2021, the interest rates of long-term borrowings were between 3.75% and 4.35% annually (31 December 2020: between 4.75% and 5.32%).

(b) Short-term borrowings

	31 December 2021	31 December 2020
Unsecured loans	250,000,000.00	110,000,000.00
Discount on domestic letter of credit	215,000,000.00	367,640,000.00
	465,000,000.00	477,640,000.00

On 31 December 2021, the interest rate of unsecured loans is 3.88% (31 December 2020 is 4.35%).

(27) Lease liability

	Dec 31 2021	Dec 31 2020
Lease liability	5,467,708.59	—
Less: current portion of lease liabilities one year (note 4 (25))	(2,319,016.31)	—
	3,148,692.28	—

As at 31 December 2021, the Group has no issue leading to potential current cash outflows in the future which is excluded from lease liability.

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31 December 2021

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Long-term payment

	31 December 2021	31 December 2020
Mineral resource equity benefit	45,386,409.91	–
Water/power/air supply and property management	12,157,394.31	14,466,781.91
Cash stock appreciate right payable (note 9)	924,550.42	–
Less: current portion of long-term payable (note 4(25))	(3,633,849.28)	–
	54,834,505.36	14,466,781.91

(29) Provisions

	31 December 2020	Current year increase	Current year decrease	31 December 2021
Provision for close down, restoration and environmental costs	9,351,240.59	427,000.47	–	9,778,241.06

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.

(30) Deferred income

	31 December 2020	Current year increase	Current year decrease	31 December 2021
Government grants	26,665,922.77	3,297,729.00	(3,897,663.69)	26,065,988.08

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31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(30) Deferred income (Continued)

Government grants items	31 December 2020	Current year additions	Credited into other income (note 4(48))	Credited into non-operating income	Re-classification	31 December 2021	Asset related/ Income related
The Company:							
- Water resource utilisation project	438,666.39	-	(55,999.87)	-	-	382,666.52	Asset related
- Project on concentration of reducing sodium	41,787.61	-	(5,332.13)	-	-	36,455.48	Asset related
- Special funds for energy conservation	900,000.02	-	(99,999.96)	-	-	800,000.06	Asset related
- Separation and extraction project of sulfur based nickel cobalt slag	382,790.00	570,729.00	-	-	-	953,519.00	Asset related
- Central funds for air pollution prevention and control	-	2,647,000.00	-	-	-	2,647,000.00	Asset related
Sub-total of the Company	1,763,244.02	3,217,729.00	(161,331.96)	-	-	4,819,641.06	Asset related
Subsidiaries:							
- Project on energy saving	1,696,111.02	50,000.00	(788,333.55)	-	-	957,777.47	Asset related
- Project on use of well water	810,000.00	-	(270,000.00)	-	-	540,000.00	Asset related
- Project on exploration of No. 2 mine in Kalatongke Mining	6,041,333.98	-	(262,666.56)	-	-	5,778,667.42	Asset related
- Project on technology improvement of nickel smelting	670,833.58	-	(174,999.96)	-	-	495,833.62	Asset related
- General improvement project	480,000.24	-	(159,999.96)	-	-	320,000.28	Asset related
- Subsidies for clean energy	756,000.00	-	(144,000.00)	-	-	612,000.00	Asset related
- Project on technology improvement of Huangshanxit	971,111.44	30,000.00	(83,333.40)	-	-	917,778.04	Asset related
- Online monitoring of pollution sources	120,000.24	-	(39,999.96)	-	-	80,000.28	Asset related
- Land use right	7,656,890.56	-	-	(209,777.88)	-	7,447,112.68	Asset related
- Gas device for composite desulfurization	2,500,000.00	-	-	-	-	2,500,000.00	Asset related
- Department of finance seedling special funds	559,999.92	-	(79,999.95)	-	-	479,999.97	Asset related
- Final stages of mining extension	1,100,000.00	-	-	-	-	1,100,000.00	Asset related
- Safety production project	31,000.00	-	(13,822.74)	-	-	17,177.26	Income related
- Others	1,509,397.77	-	-	-	(1,509,397.77)	-	
Sub-total of Subsidiaries	24,902,678.75	80,000.00	(2,017,156.08)	(209,777.88)	(1,509,397.77)	21,246,347.02	
Total	26,665,922.77	3,297,729.00	(2,178,488.04)	(209,777.88)	(1,509,397.77)	26,065,988.08	

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(30) Deferred income (Continued)

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

Government grants	Nature	Amount	Presentation items
– Project on energy saving	Recognised in P/L	788,333.55	Other income
– Water resource utilisation project	Recognised in P/L	55,999.87	Other income
– Safety production	Recognised in P/L	13,822.74	Other income
– Project on use of well water	Recognised in P/L	270,000.00	Other income
– Project on exploration of No. 2 mine in Kalatongke Mining	Recognised in P/L	262,666.56	Other income
– Land use right	Recognised in P/L	209,777.88	Non-operating income
– Project on technology improvement of nickel smelting	Recognised in P/L	174,999.96	Other income
– General improvement project	Recognised in P/L	159,999.96	Other income
– Subsidies for clean energy	Recognised in P/L	144,000.00	Other income
– Department of finance seedling special funds	Recognised in P/L	79,999.95	Other income
– Project on technology improvement of Huangshanxit	Recognised in P/L	83,333.40	Other income
– Special funds for energy conservation	Recognised in P/L	99,999.96	Other income
– Online monitoring of pollution sources	Recognised in P/L	39,999.96	Other income
– Project on concentration of reducing sodium	Recognised in P/L	5,332.13	Other income
		2,388,265.92	

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Deferred tax assets and deferred tax liabilities

a. Deferred tax assets before offsetting

	31 December 2021		31 December 2020	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Unrealised profits	216,060,285.27	32,409,042.79	116,854,086.71	19,800,270.91
Deductible losses	57,429,764.75	10,475,243.64	278,064,903.61	45,981,749.41
Government grants	26,065,988.08	4,715,809.47	26,665,922.77	4,842,920.05
Assets impairment	91,717,628.55	13,800,336.67	101,507,288.32	15,411,702.97
Depreciation of fixed assets	26,186,569.50	4,280,915.03	25,959,448.33	4,219,629.16
Cash settled share payment	924,550.43	140,230.36	–	–
	418,384,786.58	65,821,577.96	549,051,649.74	90,256,272.50
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		39,202,233.45		69,782,020.32
Deferred tax asset to be recovered after 1 year		26,619,314.51		20,474,252.18
		65,821,577.96		90,256,272.50

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

b. Deferred tax liabilities before offsetting

	31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combination involving entities not under common control (i)	410,789,347.42	92,034,941.18	420,685,145.42	102,235,637.55
Depreciation	22,190,856.47	3,328,628.47	22,190,856.47	3,328,628.47
	432,980,203.89	95,363,569.65	442,876,001.89	105,564,266.02
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		19,955,747.86		20,266,826.78
Deferred tax asset to be recovered after 1 year		75,407,821.79		85,297,439.24
		95,363,569.65		105,564,266.02

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

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

	31 December 2021	31 December 2020
Deductible losses	65,982,194.01	98,083,118.92
Deductible temporary differences	—	—
	65,982,194.01	98,083,118.92

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

	31 December 2021	31 December 2020
2021	—	44,154,202.47
2022	19,803,158.29	19,803,158.29
2023	10,102,401.98	10,102,401.98
2024	12,718,479.73	12,718,479.73
2025	11,304,876.45	11,304,876.45
2026	12,053,277.56	—
	65,982,194.01	98,083,118.92

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

	31 December 2021		31 December 2020	
	Setoff amount	Balances after offsetting	Setoff amount	Balances after offsetting
Deferred tax assets	1,989,766.62	63,831,811.34	1,601,708.85	88,654,563.65
Deferred tax liabilities	1,989,766.62	93,373,803.03	1,601,708.85	103,962,557.17

(32) Share capital

	31 December 2021		31 December 2020	
	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%
	2,210,000,000	100.00%	2,210,000,000	100.00%

The par value of each share is 0.25, and the total share capital is 552,500,000.00.

There was no movement of share capital of the Company in the ended 31 December 2021.

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(33) Capital surplus

	31 December 2020	Current year additions	Current year deductions	31 December 2021
Contribution from Parent Company related to mining right (i)	35,393,957.53	–	–	35,393,957.53
Share Premium (ii)	4,219,360,899.96	–	–	4,219,360,899.96
Others (iii)	3,815,140.27	–	–	3,815,140.27
	4,258,569,997.76	–	–	4,258,569,997.76
	31 December 2019	Current year additions	Current year deductions	31 December 2020
Contribution from Parent Company related to mining right (i)	35,393,957.53	–	–	35,393,957.53
Share Premium (ii)	4,219,360,899.96	–	–	4,219,360,899.96
Others (iii)	3,815,140.27	–	–	3,815,140.27
	4,258,569,997.76	–	–	4,258,569,997.76

i) 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.

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

iii) 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

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Specific reserve

	31 December 2020	Current year additions	Current year reductions	31 December 2021
Safety fund (i)	–	46,032,670.45	(46,032,670.45)	–

	31 December 2019	Current year additions	Current year reductions	31 December 2020
Safety fund (i)	–	43,056,678.59	(43,056,678.59)	–

(i) Pursuant to regulation No. [2012]16 issued by the State Administration of Work Safety, Kalatongke Mining, Xinjiang Yakesi and Hami Jubao are required to set aside an amount to a safety fund at 10 (2020: RMB10) per ton of raw ore mined; Kalatongke Mining and Xinjiang Yakesi tailings pond measured as the amount of tailings that put in storage, third level and over than third level tailings are RMB1 per ton, fourth level and fifth level are RMB1.5 per ton; at 4% of consumed amount or revenue of vitriol of last year for Zhongxin Mining, Kalatongke Mining and FuKang Refinery; Zhongxin Mining, Fukang Refinery and Kalatongke Mining are required to apply the excess regressive method for the accrual of safety fund based on the refining revenue of last year. The accrual of safety fund is charged to production cost and credited to specific reserve. The safety expenditures that are expenses in nature are directly debited to specific reserve. Specific reserve expenditures of RMB46,032,670.45 were used for safety related projects for the year ended 31 December 2021 (the year ended 31 December 2020 is RMB43,056,678.59).

(35) Surplus reserve

	31 December 2020	Current year additions	Current year reductions	31 December 2021
Statutory surplus reserve fund	249,625,789.74	23,647,595.62	–	273,273,385.36

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

Pursuant to the PRC Company Law and the Company's Articles of Association, every year the Company is required to appropriate 10% of the profit after taxation to the statutory reserve until the balance reaches 50% of the share capital. Subject to the approval, such reserve can be used to offset against net losses or to increase share capital. According to the PRC Company Law and Company's Articles of Association, the Company withdraw the statutory surplus reserve of RMB23,647,595.62 at 10% of the Net Profit.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) Accumulated losses

	2021	2020
Accumulated losses at the beginning of the year	(647,906,622.73)	(799,745,024.20)
Add: Net profit attributable to the shareholders of the Company for the year	515,585,412.10	151,838,401.47
Less: Appropriation for statutory surplus reserve fund	(23,647,595.62)	—
Accumulated losses at the end of the year	(155,968,806.25)	(647,906,622.73)

(37) Revenue and cost of sales

	2021	2020
Revenue from main operation	2,301,087,856.05	1,817,008,941.48
Revenue from other operation	81,320,502.65	36,899,923.56
	2,382,408,358.70	1,853,908,865.04
	2021	2020
Cost of sales from main operation	1,425,486,991.68	1,409,951,348.26
Cost of sales from other operation	46,225,090.30	6,793,704.44
	1,471,712,081.98	1,416,745,052.70

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(37) 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.

	2021		2020	
	Revenue from main operation	Cost of sales of main operation	Revenue from main operation	Cost of sales of main operation
Nickel cathode	1,367,409,595.57	695,030,107.79	1,201,939,435.09	790,747,146.06
Copper cathode	674,562,418.61	481,178,899.36	465,050,401.72	482,418,623.33
Others	259,115,841.87	249,277,984.53	150,019,104.67	136,785,578.87
	2,301,087,856.05	1,425,486,991.68	1,817,008,941.48	1,409,951,348.26

b. Revenue and cost of sales from other operation

	2021		2020	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of sales from other operation
Sales of materials	49,372,431.17	38,141,335.60	3,157,348.12	1,041,691.55
Scrap sales	19,329,693.05	324,534.91	25,498,189.74	187,204.64
Building rental	7,638,597.97	4,871,038.48	—	—
Sales of electricity	2,284,177.36	1,471,633.70	3,476,610.48	2,817,698.93
Orefield heating	719,311.29	434,861.64	1,809,845.12	1,292,509.07
Equipment rental	—	—	809,270.97	565,908.14
Others	1,976,291.81	981,685.97	2,148,659.13	888,692.11
	81,320,502.65	46,225,090.30	36,899,923.56	6,793,704.44

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) Expenses by nature

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

	2021	2020
Raw materials and consumables used	609,848,496.36	507,882,022.26
Other production fees	57,162,144.58	72,238,707.60
Employee benefits	326,933,786.90	252,695,595.50
Depreciation expenses (<i>note 4(10), note4(11), note4(13)</i>)	232,354,769.60	216,751,708.69
External labor costs	228,281,713.83	197,103,407.11
Electricity costs	135,481,637.14	140,596,687.69
Safety fund (<i>note 4(34)</i>)	46,032,670.45	43,056,678.59
Taxation	44,084,710.91	25,708,251.41
Transportation fee	31,518,897.74	32,649,048.92
Amortisation expenses (<i>note 4(10), note 4(14)</i>)	27,133,925.87	24,555,773.49
Office expenses	4,654,369.81	4,235,600.99
Comprehensive support service charge (<i>note 4(41)</i>)	3,226,415.04	3,226,415.04
Share-base payment expense	924,550.42	–
Operating leases expenses	789,497.58	1,801,322.36
Audit fees (<i>note 4(41)</i>)	2,110,000.00	2,110,000.00
– Audit service	2,110,000.00	2,110,000.00
– Non-audit service	–	–
Reversal of inventory provision due to sales (<i>note 4(7) (b)</i>)	(7,789,429.41)	(908,193.01)
Changes in inventories of work in progress, semi-finished goods and finished goods (<i>note 4(7) (a)</i>)	(78,096,167.72)	25,142,474.47
Others	37,221,905.71	25,482,351.56
	1,701,873,894.81	1,574,327,852.67

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(39) Taxes and surcharges

	2021	2020	Tax base
Resource tax	18,708,076.27	10,761,446.82	Note3
Property tax	11,542,069.19	9,398,558.76	Note3
Education surcharge	7,755,563.36	5,134,068.43	Note3
Urban construction tax	5,713,554.36	4,208,530.80	Note3
Land use tax	3,720,308.90	3,682,197.36	
Stamp tax	2,700,007.98	2,053,148.93	
Vehicle and Vessel tax	92,256.04	94,780.84	
	50,231,836.10	35,332,731.94	

(40) Selling expenses

	2021	2020
Transportation fee and handing cost	10,948,521.46	32,649,048.92
Employee benefits	3,312,159.83	2,749,461.73
Travel and administrative expense	118,434.37	102,135.71
Depreciation	83,136.47	91,328.17
Others	1,020,002.26	989,467.79
	15,482,254.39	36,581,442.32

(41) General and administrative expenses

	2021	2020
Employee benefits	80,671,580.76	65,360,695.73
Depreciation and amortisation	17,866,358.63	16,558,295.37
Professional services fee	6,377,956.90	7,100,341.11
Office expense	4,535,935.44	4,133,465.28
Comprehensive support service charge	3,226,415.04	3,226,415.04
Audit fees	2,110,000.00	2,110,000.00
Operating leases expenses	789,497.58	1,801,322.36
Others	30,012,564.92	20,710,822.76
	145,590,309.27	121,001,357.65

NOTES TO FINANCIAL STATEMENTS

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(42) Research and Development expenses

	2021	2020
Material consumption	62,399,088.84	–
Employment benefits	3,853,194.80	–
Technology development cost	2,143,501.54	–
Depreciation	385,869.62	–
Professional fees	291,777.03	–
Inspection and testing cost	7,594.34	–
Others	8,223.00	–
	69,089,249.17	–

(43) Financial expenses – net

	2021	2020
Interest expense of borrowing	77,613,441.43	105,117,490.12
Interest expense of lease liabilities	89,037.98	–
Less: Capitalised interest expenses (note 4(12) (a))	(5,174,779.25)	(7,569,855.22)
Interest expenses	72,527,700.16	97,547,634.90
Less: Interest income	(10,161,158.65)	(1,706,604.08)
Bank charges	462,882.53	794,310.88
Unwinding of discount – net	1,127,581.36	436,807.26
	63,957,005.40	97,072,148.96

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

	2021	2020
Provision for reversal/(decline) in value of inventories (note 4(17))	3,546,922.11	(10,202.12)
Provision for decline in value of intangible asset (note 4(17))	–	135,543,621.45
	3,546,922.11	135,533,419.33

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(45) Credit impairment losses

	2021	2020
Losses of bad debts for accounts receivable (note 4(17))	(678,983.07)	2,768,705.28
Loss on Doubtful Accounts of Other Receivables (Note 4 (17))	(5,822,061.78)	–
	(6,501,044.85)	2,768,705.28

(46) Investment losses

	2021	2020
Net profit from a joint-venture under equity method (note 4(9)a)	26,125,531.49	4,257,200.67
Unrealised net profit between the joint-venture and the Group	(27,001,220.90)	(10,909,265.48)
Investment income from disposal of available-for-sale financial assets	697,850.02	3,582,031.43
	(177,839.39)	(3,070,033.38)

The Group does not have significant restrict of investment income repatriation

(47) Assets disposed income

	2021	2020	Amount recognised in non-recurring profit or loss in 2021
Assets disposed (loss)/income	(149,778.53)	208,602.17	149,778.53

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(48) Other income

	2021	2020	Asset related/ Income related
Energy conservation and emission reduction subsidy	1,662,998.74	1,857,998.42	Asset related
Special funds for technological transformation	326,666.60	146,666.64	Asset related
Others	174,999.96	50,000.00	Asset related
Sub-total	2,164,665.30	2,054,665.06	
Enterprise social security subsidy	1,681,307.67	5,596,349.64	Income related
Safety fund	37,071.60	19,000.00	Income related
Others	464,199.90	270,437.89	Income related
Sub-total	2,182,579.17	5,885,787.53	
Total	4,347,244.47	7,940,452.59	

(49) Non-operating income

	2021	2020	Amount recognised in non-recurring profit or loss in 2021
Government grants (a)	209,777.88	209,777.88	209,777.88
Reversal of provision	—	161,519,379.04	—
Others	1,355,284.59	546,697.98	1,355,284.59
	1,565,062.47	162,275,854.90	1,565,062.47

(a) Details of government grants

	2021	2020	Asset related/ Income related
Land compensation	209,777.88	209,777.88	Asset related

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(50) Non-operating expenses

	2021	2020	Amount recognised in non-recurring profit or loss in 2021
Penalties and fines	1,220,988.85	647,952.02	1,220,988.85
Losses on scrap of fixed assets	2,417,553.96	10,338.42	2,417,553.96
Donations	738,575.20	2,500,000.00	738,575.20
Others	323,199.01	888,448.61	323,199.01
	4,700,317.02	4,046,739.05	4,700,317.02

(51) Income tax expenses

	2021	2020
Current income tax	41,688,222.24	(921,446.08)
Deferred income tax	14,233,998.17	(6,722,537.04)
	55,922,220.41	(7,643,983.12)

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31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(51) Income tax expenses (Continued)

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

	2021	2020
Consolidated total profit	570,184,117.13	171,526,784.09
Income tax expenses calculated at applicable tax rate of 25%	142,546,029.28	42,881,696.02
Effect of tax reductions	(54,219,220.38)	(30,240,458.74)
Influence of tax rate change for income tax	(7,726,746.83)	–
Income not subject to tax	(4,104,572.11)	(25,510,826.49)
Costs, expenses and losses not to be deducted	224,568.65	622,145.74
Deductible temporary differences and deductible losses for which no deferred tax assets were recognised	3,013,319.39	5,543,012.25
Prior year unrealised deferred tax assets of deductible temporary differences	(23,811,157.59)	–
Clearance differences in respect of prior years	–	(939,551.90)
	55,922,220.41	(7,643,983.12)

(52) Earnings per share

(a) Earnings per share

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

	2021	2020
Consolidated net profit attributable to shareholders of the Company	515,585,412.10	151,838,401.47
Weighted average number of ordinary shares in issue of the Company	2,210,000,000	2,210,000,000
Basic earnings per share	0.233	0.069
Including		
– Basic earnings per share under going concern	0.233	0.069
– Basic earnings per share under discontinued operation	–	–

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(52) Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue of the Company. As there were no dilutive potential ordinary shares in 2021 (in 2020: Nil), diluted earnings per share equal to basic earnings per share.

(53) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	2021	2020
Government grants received	5,462,394.30	7,214,418.29
Restricted bank deposits	62,520,795.03	—
Interest income	10,161,158.65	1,706,604.08
Received the environmental control deposit	3,991,966.21	—
Others	4,042,047.50	909,576.50
	86,178,361.69	9,830,598.87

(b) Cash paid relating to other operating activities

	2021	2020
Transportation fee and handing cost	49,872,356.79	32,649,048.92
Professional service fee	8,487,956.90	9,065,579.03
Increase of restricted cash at bank	—	7,700,858.26
Office expenses	5,829,030.16	4,337,736.70
Comprehensive supporting services	3,226,415.04	3,226,415.04
Energy and power charges	2,602,869.54	3,188,009.06
Donations	—	2,500,000.00
Research service fee	5,977,609.82	1,919,342.67
Leasing fees	789,497.58	1,801,322.36
Greening fee	1,398,432.15	1,166,637.11
Bank charges	462,882.53	794,310.88
Machine material repair costs	5,907,084.74	—
Others	17,846,280.97	7,971,077.25
	102,400,416.22	76,320,337.28

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31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(53) Notes to consolidated cash flow statements (Continued)

(c) Cash received relating to other investing activities

	2021	2020
Cash repayments of loans from Hexin Mining	10,000,000.00	187,176,580.00
Recovery of GansuXimai transfer money	5,812,100.00	—
	15,812,000.00	187,176,580.00

(d) Cash paid relating to other investing activities

	2021	2020
Loans provided to Hexin Mining	10,000,000.00	169,521,580.00

(e) Cash paid relating to other fund-raising activities

	2021	2020
Payment of lease liabilities	1,622,730.88	—

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(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	2021	2020
Consolidated Net Profit	514,261,896.72	179,170,767.21
Adjustment: Provisions for asset impairment (<i>note 4(44)</i>)	3,546,922.11	135,533,419.33
Losses from changes in fair value	—	655,360.00
Credit impairment Loss	(6,501,044.85)	2,768,705.28
Depreciation expenses (<i>note 4(10)</i> , <i>note 4(11)</i> , <i>note 4(13)</i>)	232,354,769.60	216,751,708.69
Amortisation expenses (<i>note 4(10)</i> , <i>note 4(14)</i>)	27,133,925.87	24,555,773.49
(Gains)/loss on disposal of fixed assets	2,567,332.49	(198,263.75)
Decrease in deferred tax assets (<i>note 4(31)</i>)	24,822,752.31	29,762,961.90
Decrease in deferred tax liabilities (<i>note 4(31)</i>)	(10,588,754.14)	(36,485,498.94)
Increase/(decrease) in deferred income (<i>note 4(30)</i>)	905,371.95	(935,812.18)
Financial expenses (<i>note 4(43)</i>)	73,655,281.52	97,984,442.16
Amortisation of long-term prepaid expenses	99,999.99	233,904.48
Investment loss/(gains) (<i>note 4(46)</i>)	177,839.39	3,070,033.38
Decrease/(increase) in inventories	(63,569,555.93)	76,122,534.07
Increase in operating receivables	(208,724,845.84)	(150,913,534.59)
Increase/(decrease) in operating payables	30,379,972.02	(56,541,713.79)
Increase in restricted cash at banks	62,520,795.03	(7,700,858.26)
Decrease in Provisions	—	(161,519,379.04)
Net cash flows generated from operating activities	683,042,658.24	352,314,549.44

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

4 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(54) Notes to the consolidated cash flow statement (Continued)

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

Operating and investing activities not involved in cash

	2021	2020
Purchasing inventories paid by bank acceptance notes	593,815,891.29	599,876,203.41
Purchasing long-term assets paid by bank acceptance notes	177,189,388.80	142,253,447.66
	771,005,280.09	742,129,651.07

The net movement of cash and cash equivalents

	2021	2020
Cash and cash equivalents at end of year (b)	376,577,078.14	263,452,546.93
Less: cash and cash equivalents at beginning of year	(263,452,546.93)	(267,229,062.22)
Net decrease in cash and cash equivalents	113,124,531.21	(3,776,515.29)

(b) Cash and cash equivalents

	31 December 2021	31 December 2020
Cash	376,577,078.14	263,452,546.93
Including: Cash on hand	370.81	615.34
Unrestricted cash at bank	376,576,707.33	263,451,931.59
Cash and cash equivalents	376,577,078.14	263,452,546.93

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(All amounts in RMB Yuan unless otherwise stated)

5 EQUITY IN OTHER ENTITIES

(1) Investments in subsidiaries

(a) The constitutions of business combinations

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

There are no debenture issued by the Group.

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

5 EQUITY IN OTHER ENTITIES (CONTINUED)

(1) Investments in subsidiaries (Continued)

(b) Subsidiaries with non-controlling interests rights

Name of subsidiaries	% equity interest held by non-controlling shareholders	Amount of gains or losses attributed to non-controlling shareholders in 2021	Dividend declared/ allocated to non-controlling shareholders in 2021	Non-controlling interests 31 December 2021
Zhongxin Mining	2.42%	1,310,800.68	–	3,657,966.96
Shaanxi Xinxin	49.00%	173,245.96	–	(18,725,942.68)
Mengxi Mining	49.00%	(160,531.26)	–	(2,986,838.08)
		1,323,515.38	–	(18,054,813.80)

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

Name of subsidiaries	31 December 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Zhongxin Mining	280,142,177.91	157,517,390.55	437,659,568.46	298,250,082.18	214,620,904.02	512,870,986.20
Shaanxi Xinxin	168,400.76	74,647,617.47	74,816,018.23	21,697,464.04	14,902,344.64	36,599,808.68
Mengxi Mining	11,579,116.03	–	11,579,116.03	5,483,528.09	–	5,483,528.09

Name of subsidiaries	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total Liabilities
Zhongxin Mining	592,741,758.57	175,765,827.99	768,507,586.56	846,518,186.98	15,691,349.33	862,209,536.31
Shaanxi Xinxin	146,701.72	74,648,610.77	74,795,312.49	21,323,195.13	14,902,344.64	36,225,539.77
Mengxi Mining	11,254,157.38	–	11,254,157.38	5,486,184.26	–	5,486,184.26

Name of subsidiaries	In 2021			
	Revenue	Net profit/(loss)	Total comprehensive income/(losses)	Operating cas flow
Zhongxin Mining	760,250,216.61	18,490,532.03	(18,490,532.03)	7,961,254.16
Shaanxi Xinxin	–	(353,563.17)	(353,563.17)	(10,688.04)
Mengxi Mining	–	327,614.82	327,614.82	(20,046.45)

Name of subsidiaries	In 2020			
	Revenue	Net profit/(loss)	Total comprehensive income/(losses)	Operating cas flow
Zhongxin Mining	603,369,688.59	7,302,900.33	7,302,900.33	5,196,633.77
Shaanxi Xinxin	–	(88,026,381.08)	(88,026,381.08)	(1,001,003.14)
Mengxi Mining	–	344,010.58	344,010.58	(10,499.55)

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(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

	2021 Dec.31	2020 Dec.31
Current assets	151,409,099.56	72,624,048.16
Including: cash and cash equivalents		
Non-current assets	50,993,503.96	13,921,563.99
Current assets	483,184,586.22	413,414,060.98
Total assets	634,593,685.78	486,038,109.14
Current liabilities	(197,283,563.74)	(158,979,050.08)
Non-current liabilities	(108,000,000.00)	(50,000,000.00)
Total liabilities	(305,283,563.74)	(208,979,050.08)
Owners' equity	329,310,122.04	277,059,059.06
Share of net assets (i)	164,655,061.02	138,529,529.53
Adjustments		
–Goodwill	44,668,386.35	44,668,386.35
–Offset of unrealised gains	(54,864,673.69)	(27,863,452.79)
Book value of the investment of joint venture	154,458,773.68	155,334,463.09
Fair value of the joint venture in open market	Not applicable	Not applicable

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(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)

	31 December 2021	31 December 2020
Revenue	241,139,055.14	174,228,534.42
Net profit	52,251,062.98	8,622,266.34
Other comprehensive income	—	—
Total comprehensive profit	52,251,062.98	8,622,266.34
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.

On ended of 31 December 2021 and 2020, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

On ended of 31 December 2021, revenue of top three customers of the Group accounted for 39%, 15% and 13% of the total revenue of the Group respectively (on ended 31 December 2020: 47%, 11% and 6%).

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7 CONTINGENCIES

(1) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except as disclosed in note 4(25), 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

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent company

(a) Basic information of the parent company

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

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

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

	31 December 2020	Current period additions	Current period reductions	31 December 2021
Xinjiang Non-ferrous Group	1,555,356,129.00	10,000,000.00	–	1,565,356,129.00

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

	31 December 2021 % interests held and % voting rights	31 December 2020 % 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

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(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Other related party information

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

(5) Related party transactions

(a) Pricing policy of transactions with related party

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

NOTES TO FINANCIAL STATEMENTS

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(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

	2021	2020
Associate of Xinjiang Non-ferrous Group/ Fellow subsidiary		
Purchase of raw materials, consumables and equipment		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	11,003,229.47	6,548,664.24
Xinjiang Dongsanhuan Trading Co., Ltd.	2,999,299.15	2,923,703.58
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	1,805,783.07	924,777.96
Fukang Non-ferrous Development Co., Ltd.	1,439,694.48	1,264,520.29
Xinjiang Non-ferrous Metals Industry Group Lanzuan Trading Co. LTD	520,353.98	—
Fukang Juxin Industrial and Trade Co., Ltd.	403,907.09	327,580.54
The Western Gold Hami Gold Mine Co., Ltd.	99,953.69	41,926.00
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	61,946.90	481,415.92
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	—	1,551,900.36
Xinjiang Non-ferrous Metal Research Institute Co., Ltd	—	131,858.40
Purchase of equipment parts		
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	1,135,030.46	1,126,553.09
	19,469,198.28	15,322,900.38
Joint venture		
Purchase of nickel powder Hexin Mining	180,450,283.15	113,735,576.96
	199,919,481.44	129,058,477.34

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(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

	2021	2020
Associate of Xinjiang Non-ferrous Group/ Fellow subsidiary		
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	75,195,140.39	91,011,038.74
Non-ferrous Metal MingYuanZhiYe Co., Ltd	1,505,085.37	–
Transportation services		
Fukang Non-ferrous Development Co., Ltd.	3,123,364.50	3,202,297.40
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	654,853.67	1,951,553.19
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	2,357,331.91	2,103,949.14
Urumqi Congxin Human Resource Service Co., Ltd.	1,998,845.21	–
Xinjiang Non-ferrous Metal Research Institute Co., Ltd	307,339.29	1,800.00
Non-ferrous Metal MingYuanZhiYe Co., Ltd	49,556.75	29,439.34
Fukang Non-ferrous Property Management Co., Ltd.	7,219.36	7,185.74
Fukang Juxin Industrial and Trade Co., Ltd	–	145,283.02
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	3,226,415.04	3,226,415.04
Storage fee		
Beijing Baodi Xindi Kemao Co., Ltd.	559,821.25	101,400.22
Heating fee		
Fukang Non-ferrous Development Co., Ltd.	30,018.51	34,328.62
Xinjiang Non-ferrous Metals Group Mingyuan Real Estate Management Co., Ltd	26,331.90	–
	89,041,323.15	101,814,690.45

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(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

	2021	2020
Fellow subsidiary		
Xinjiang Wuxin Copper Co., Ltd.	42,303,790.69	64,896,326.07
Fuyun Hengsheng Beryllium Industry Co., Ltd.	30,173,037.72	16,483,642.21
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	10,740,205.07	17,756,015.01
Xinjiang Non-ferrous Metal Industry (Group) Lanzuan Trading Co., Ltd.	1,228,919.89	–
Xinjiang Jinhui Real Estate Development Co., Ltd	1,068,402.63	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	615,902.86	3,395,402.52
Urumqi Asia Europe Rare Metals Co., Ltd.	225,159.29	–
Xinjiang Zhanxin Fire Insulation Materials Co., Ltd	121,431.55	231,844.62
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	4,806.35	11,728.76
Akto Kebang Manganese Industry Co., Ltd.	–	1,990,493.81
Xinjiang Dongsanhuan Trading Co., Ltd.	–	180,281.07
	86,481,656.05	104,945,734.07
Joint venture		
Hami Hexin Mining Co., Ltd.	795,929.21	739,292.03
	87,277,585.26	105,685,026.10

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31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(e) Leases

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

Name of the lessee	Type of the leased asset	2021	2020
Xinjiang Zhanxin Fire Isolation Materials Co., Ltd	Land-use right	40,971.43	40,971.43

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

Name of the lessor	Type of the leased asset	2021	2020
Xinjiang Non-ferrous Metals Research Institute	Building	3,779,037.71	—

Interest expenses on lease liabilities in the current year with the Group as the lessee:

	2021	2020
Xinjiang Non-ferrous Metals Research Institute	63,632.44	—

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31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(f) Guarantee

The Group as the guarantor

Name of Company	Amount of bank loans and bank acceptance notes guaranteed	Starting date	Ending date	Fulfilled or not
Hexin Mining	29,000,000.00	27/9/2021	27/9/2023	No
Hexin Mining	25,000,000.00	13/5/2020	13/5/2022	No
Hexin Mining	13,500,000.00	08/1/2021	08/1/2022	No
Hexin Mining	10,000,000.00	29/03/2021	03/03/2022	No
Total	77,500,000.00			

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

	2021	2020
Joint venture		
Loans provided to Hexin Mining	10,000,000.00	169,521,580.00
Loans received from Hexin Mining	(10,000,000.00)	(187,176,580.00)

(h) Use of registered trademark

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

(i) Remuneration of key management

	2021	2020
Remuneration of key management	4,345,858.07	3,115,570.55

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(j) Benefits and interests of directors

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

Directors, supervisors and executive officer's emoluments for the year ended 31 December 2021 were as follows:

Name	Fee	Salary and allowance	Pension	Bonus	Emoluments for managing company and its subsidiaries or providing other services	Total
Directors:						
Qi Xinhui	-	365,402.05	37,618.56	227,402.95	-	630,423.56
Yu Wenjiang ¹	-	365,985.00	37,618.56	32,000.00	-	435,603.56
Zhang Guohua	-	-	-	-	-	-
Zhou Chuanyou	-	-	-	-	-	-
Hu Chengye	-	-	-	-	-	-
Guo Quan	-	-	-	-	-	-
Independent Directors:						
Hu Benyuan	70,000.00	-	-	-	-	70,000.00
Wang Qingming	70,000.00	-	-	-	-	70,000.00
Lee Tao Wai	106,288.00	-	-	-	-	106,288.00
Supervisors:						
Meng Guojun	40,000.00	-	-	-	-	40,000.00
Meng Guangzhi ²	-	53,100.00	8,262.72	-	-	61,362.72
Li Jiangping ³	-	31,530.00	8,262.72	-	-	39,792.72
Shi Keli ⁴	-	-	-	-	258,511.68	258,511.68
Shan Zhengzhong ⁵	-	-	-	-	235,940.24	235,940.24
Yao Wenyong	40,000.00	-	-	-	-	40,000.00
Chen Rong ⁶	-	-	-	-	-	-
Zhong Rubiao ⁷	-	-	-	-	-	-
Senior management:						
Lam Cheuk Fai	-	396,000.00	-	-	-	396,000.00
Li Zhenzhen	-	230,305.00	28,225.92	73,215.00	-	331,745.92
He Hongfeng	-	316,817.61	37,618.56	144,799.27	-	499,235.44
Dong Guoqing	-	299,905.00	37,618.56	67,790.59	-	405,314.15
Zhu Lingxiao	-	289,380.00	34,483.68	306,271.00	-	630,134.68
Shagenbieke	-	82,675.00	12,830.40	-	-	95,505.40
Total	326,288.00	2,431,099.66	242,539.68	851,478.81	494,451.92	4,345,858.07

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31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(i) Benefits and interests of directors (Continued)

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

Directors, supervisors and chief executive officer's emoluments for the year ended 31 December 2020 were as follows:

Name	Fee	Salary and allowance	Pension	Bonus	Emoluments for managing company or providing other services	Total
Directors:						
Qi Xinhui	-	481,047.12	2,588.16	-	-	483,635.28
Zhou Chuanyou	-	-	-	-	-	-
Hu Chengye	-	-	-	-	-	-
Guo Quan	-	-	-	-	-	-
Zhang Guohua	-	-	-	-	-	-
Liu Jun	-	501,074.74	2,588.16	-	-	503,662.90
Independent Directors:						
Wong Yik Chung	108,333.30	-	-	-	-	108,333.30
Wang Lijin	58,333.33	-	-	-	-	58,333.33
Hu Benyuan	70,000.00	-	-	-	-	70,000.00
Wang Qingming	8,750.00	-	-	-	-	8,750.00
Lee Tao Wai	32,499.99	-	-	-	-	32,499.99
Supervisors:						
Yao Wenying	40,000.00	-	-	-	-	40,000.00
Chen Rong	-	-	-	-	-	-
Yu Wenjiang	-	-	-	-	-	-
Li Jiangping	-	-	-	-	-	-
Meng Guojun	40,000.00	-	-	-	-	40,000.00
Meng Guangzhi	-	427,417.13	-	-	-	427,417.13
Senior management:						
Lam Cheuk Fai	-	367,500.00	-	-	-	367,500.00
Li Zhenzhen	-	37,050.00	-	-	-	37,050.00
He Hongfeng	-	401,403.79	2,588.16	-	-	403,991.95
Dong Guoqing	-	53,185.00	-	-	-	53,185.00
Zhu Lingxiao	-	97,811.00	8,262.72	-	-	106,073.72
Zhang Junjie	-	372,549.79	2,588.16	-	-	375,137.95
Total	357,916.62	2,739,038.57	18,615.36	-	-	3,115,570.55

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(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(j) Benefits and interests of directors (Continued)

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

- 1 Appointed as executive director on June 11, 2021
- 2 Resigned as Supervisor on March 30, 2021
- 3 Resigned as Supervisor on March 30, 2021
- 4 Appointed as supervisor position on March 30, 2021
- 5 Appointed as supervisor position on March 30, 2021
- 6 Resigned as supervisor on June 11, 2021
- 7 Appointed as supervisor position on June 11, 2021

(ii) In 2021, there were no retirement benefits for the directors (2020: Nil).

(iii) In 2021, there were no termination benefits for the directors (2020: Nil).

(iv) In 2021, there were no consideration provided to third parties for making available directors' services (2020: Nil).

(v) In 2021, 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 (2020: Nil).

(vi) 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 in 2021 (2020: Nil).

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (Continued)

(j) Benefits and interests of directors (Continued)

(vii) The five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for ended 31 December 2021 included 2 directors (For ended 31 December 2020: 2 directors) whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining 3 (For ended 31 December 2020: 3) individuals during the year were as follows:

	2021	2020
Basic salaries, housing allowance, other allowances in kind	906,102.61	1,201,370.71
Bonus	518,860.86	–
Pension	109,720.80	5,176.32
	1,534,684.27	1,206,547.03

	Number of individuals	
	2021	2020
Emolument bands: HKD0–1,000,000 (approximately RMB0–817,600)	3	3

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(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))

	31 December 2021		31 December 2020	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Xinjiang Wuxin Copper Co., Ltd.	13,777,781.07	(1,100,803.56)	33,802,849.95	(2,159,646.40)
Urumqi Tianshan Star Precious Metals Smelting Co., Ltd.	3,718,738.12	(27,716.54)	3,718,738.12	(22,315.64)
Fuyun Hengsheng Beryllium Industry Co., Ltd.	3,411,349.26	(1,157,175.34)	1,199,518.10	(1,155,680.74)
Xinjiang Haoxin Lithia Developing Co., Ltd.	301,201.70	(301,201.70)	301,201.70	(301,201.70)
Xinjiang Zhanxin Fire Isolation Materials Co., Ltd.	141,104.50	(846.75)	214,196.00	(1,285.36)
Hami Hexin Mining Co., Ltd.	1,020.00	—	401,620.00	(2,410.07)
Xinjiang Dongsanhuan Trading Co., Ltd.	—	—	713,400.60	(27,618.31)
	21,351,194.65	(2,587,743.89)	40,351,524.47	(3,670,158.22)

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(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)

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

	31 December 2021		31 December 2020	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Hami Jinhui Real Estate Development Co., Ltd.	14,351,623.20	(63,269.86)	23,165,038.20	(111,328.86)
Fuyun Hengsheng Beryllium Industry Co., Ltd.	938,570.68	(7,388.50)	1,020,145.19	(4,940.17)
Xinjiang Qianxin Mining Co., Ltd.	140,205.87	(650.30)	–	–
Hexin Mining	100,986.30	(489.04)	100,986.30	(489.04)
Beijing Baodi Xindi Kemao Co., Ltd.	94,517.90	(457.71)	94,517.90	(457.71)
	15,625,903.95	(72,255.41)	24,380,687.59	(117,215.78)

(c) Accounts payable (note 4(20))

	31 December 2021	31 December 2020
Hexin Mining	56,404,914.72	10,555,794.76
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	9,878,857.74	5,691,342.87
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	6,869,403.37	2,434,586.42
Xinjiang Dongsanhuan Trading Co., Ltd.	2,949,101.04	2,875,315.11
Fukang Non-ferrous Development Co., Ltd.	1,760,397.81	2,361,563.12
China Non-ferrous Metal Import and Export Xinjiang Co., Ltd.	1,065,249.28	2,421,850.43
Beijing Baodi Xindi Science and Trade Co., Ltd.	593,410.64	–
Fukang Juxin Industrial and Trade Co., Ltd.	316,581.00	310,166.00
Xinjiang Non-ferrous Metal Research Institute Co., Ltd.	38,800.00	238,800.00
Xinjiang Non-ferrous Metal Industrial Group Materials Co., Ltd.	–	1,084,860.20
	79,876,715.60	27,974,278.91

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

8 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

Receivables from related parties (Continued):

(d) Other payables (note 4(24))

	31 December 2021	31 December 2020
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	16,331,261.14	32,268,774.17
Xinjiang Non-ferrous Group	1,270,438.36	1,270,438.36
Xinjiang Non-ferrous Metals Industry Group Lanzuan Trading Co., Ltd.	588,000.00	—
Fukang Non-ferrous Metals Development Co., Ltd.	500,000.00	—
Xinjiang Jinhui Real Estate Development Co., Ltd.	400,528.00	—
Xinjiang Nonferrous Metals Group Mingyuan Property Management Co., Ltd.	44,914.32	—
Xinjiang Non-ferrous Metal Research Institute Co., Ltd.	9,303.58	—
Xinjiang QianXin Mining Co., Ltd.	—	939.33
Total	19,144,445.40	33,540,151.86

(e) Contract liabilities

	31 December 2021	31 December 2020
Xinjiang Non-ferrous Metal Industry (Group) Lanzuan Trading Co., Ltd.	94,646.60	—
Xinjiang Wuxin Copper Co., Ltd.	—	26,730,247.76
	94,646.60	26,730,247.76

NOTES TO FINANCIAL STATEMENTS

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(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:

	31 December 2021	31 December 2020
Xinjiang Zhanxin Fire Co., Ltd.		
– As lessor Isolation Materials	40,971.43	40,971.43

9 SHARE-BASED PAYMENT

(1) Stock Appreciation Rights Incentive Plan

(a) Summary

According to the "Xinxin Xinxin Mining Co., Ltd. 2021 H Share Appreciation Rights Incentive Plan" (the "Incentive Plan") approved by the general meeting of shareholders held on October 29, 2021, the Company will provide 150 Xinjiang Xinxin Middle and Senior Management Personnel and other identified core key personnel ("incentive objects") implement the stock appreciation rights incentive plan, and a total of 63,500,000 stock appreciation rights are granted to the incentive objects.

The exercise price of the stock appreciation right is 1.58 yuan per share, and the incentive object can exercise the right in next 36 months after 24 months of service from the grant date, with 33%, 33%, 34% of the awards unlocking upon meeting certain performance condition (October 29, 2021). The stock appreciation rights are valid for 5 years from October 29, 2021.

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

	2021
Shares of stock appreciation rights issued at the beginning of the year	–
Shares of stock appreciation rights granted this year	63,500,000
Shares of stock appreciation rights exercised this year	–
Shares of stock appreciation rights lapsed this year	–
Shares of stock appreciation rights issued at the end of the year	63,500,000
Share-based payment expense for the year	924,550.42
Accumulated share-based payment fees	924,550.42

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(All amounts in RMB Yuan unless otherwise stated)

9 SHARE-BASED PAYMENT (CONTINUED)

(1) Stock Appreciation Rights Incentive Plan (Continued)

- (c) The exercise price of the stock appreciation rights issued at the end of the year was 1.58 yuan. As of December 31, 2021, the remaining term of the stock appreciation rights contract is 5 years until October 29, 2026.
- (d) Share appreciation rights that are not exercised in the current year.
- (e) Determination method of fair value of stock appreciation right on grant date

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

The exercise price of the appreciation right:	1.58 yuan
Validity period of appreciation rights:	2.33 years, 3.33 years, 4.33 years
The current price of the underlying shares:	1.22 yuan
Estimated stock price volatility:	88.16%, 77.41%, 71.67%
Estimated dividend yield:	0%
Risk-free interest rate during the term of appreciation rights:	2.4584%

The fair value of stock appreciation rights calculated by the Group based on the above parameters is: RMB0.55, RMB0.58, RMB0.62.

10 COMMITMENTS

(1) Capital commitments

As of December 31, 2021 and December 31, 2020, the group has no capital expenditure commitments that have been signed and do not need to be listed in the financial statements.

11 EVENTS AFTER THE BALANCE SHEET DATE

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

12 LEASE

The group does not lease fixed assets through financial leasing.

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK

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

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

(1) Market risk

(a) Foreign exchange risk

The Group's main operations are located in China and its main business is settled in RMB. Foreign exchange risks identified by the Group in foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are denominated primarily in US dollars and Hong Kong dollars). The Group continuously monitors the size of the Group's foreign currency transactions and foreign currency assets and liabilities to minimize the foreign exchange risks it faces, and for this reason the Group may aim to avoid foreign exchange risk by signing forward foreign exchange contracts or currency swap contracts. The Group has not signed any forward foreign exchange contracts or currency swap contracts in 2021 and 2020.

As at 31 December 2021 and 31 December 2020, the Group did not hold foreign currency financial assets and foreign currency financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

13. 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 31 December 2021, the Group's interest bearing debts were mainly floating rate borrowings, fixed rate borrowings and interest bearing bond payable denominated in RMB, which totalled RMB1,234,000,000.00 (31 December 2020: RMB1,483,743,160.00), of which floating rate borrowings are RMB697,000,000.00, fixed rate borrowings are 537,000,000.00 respectively (31 December 2020: RMB1,334,000,000.00, RMB RMB149,743,160,00) (note 4(25), (26)).

As at 31 December 2021, if annual interest rates had been 10% lower/higher with all other variables held constant, net loss would have decreased/increased by RMB1,532,716.67 (31 December 2020: net loss would have decreased/increased by RMB5,513,181.25).

(c) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 67% of the total sales for the ended 31 December 2021 (for the ended 31 December 2020: 64%) were contributed by the top three customers with which the Group has not entered into any long-term sales contracts. In the event that these major customers terminate their business relationships with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

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(All amounts in RMB Yuan unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(2) Credit risk

The Group's credit risk mainly arises from cash, notes receivable, accounts receivable, financing receivables other receivable, contract assets, financial guarantee contract and etc. As at balance sheet date, the book value of Group's financial assets representative their full credit risk exposure. The maximum credit risk exposure off balance sheet is RMB77,500,000.00 which arise from the undertaking of financial guarantee.

As at 31 December 2021, the amount of financial guarantees provided by the Group for Hexin Mining is RMB77,500,000.00. with no repayment on Hexin Mining's behalf, no overdue interest nor penalty, the Group assess that there is no credit impairment loss for the financial guarantee contract.

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

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

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

On 31 December 2021, the Group did not have significantly increasing of credit risk and guaranties that mortgage by debtor (31 December 2020: Nil).

NOTES TO FINANCIAL STATEMENTS

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(All amounts in RMB Yuan unless otherwise stated)

13. FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(3) Liquidity risk

Cash flow forecasting was performed by each subsidiary of the Group 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:

	31 December 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Note payable	188,000,000.00	-	-	-	188,000,000.00
Accounts payable	394,222,859.67	-	-	-	394,222,859.67
Short-term borrowings	470,510,000.00	-	-	-	470,510,000.00
Long-term borrowings	630,341,666.67	354,040,333.33	45,929,250.00	-	1,030,311,250.00
Other payables	100,175,007.13	-	-	-	100,175,007.13
long-term payable	5,622,249.96	5,622,249.96	16,866,749.88	26,237,166.48	54,348,416.28
Lease liability	2,319,016.31	2,319,016.31	1,193,632.19	-	5,831,664.81
	1,791,190,799.74	361,981,599.60	63,989,632.07	26,237,166.48	2,243,399,197.89

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Note payable	331,350,000.00	-	-	-	331,350,000.00
Accounts payable	263,435,161.65	-	-	-	263,435,161.65
Short-term borrowings	479,971,805.56	-	-	-	479,971,805.56
Long-term borrowings	491,556,427.92	605,728,107.92	207,467,500.00	-	1,304,752,035.84
Gold leasing	152,198,437.90	-	-	-	152,198,437.90
Other payables	124,097,690.52	-	-	-	124,097,690.52
	1,842,609,523.55	605,728,107.92	207,467,500.00	-	2,655,805,131.47

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:

	31 December 2021				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial Guarantees	77,500,000.00	-	-	-	77,500,000.00

	31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial Guarantees	79,000,000.00	-	-	-	79,000,000.00

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(All amounts in RMB Yuan unless otherwise stated)

13 FINANCIAL INSTRUMENT AND RISK (CONTINUED)

(3) Liquidity risk (Continued)

(ii) The Group Bank and other borrowings were analysed by repayment terms as follows:

	31 December 2021		31 December 2020	
	Bank borrowing	Other borrowing	Bank borrowing	Other borrowing
Within 1 year	1,060,000,000.00	–	1,069,883,160.00	–
1 to 2 years	344,000,000.00	–	581,500,000.00	–
2 to 5 years	45,000,000.00	–	200,000,000.00	–
	1,449,000,000.00	–	1,851,383,160.00	–

14 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 31 December 2021, assets and liabilities continuingly measured at fair value based on the above three levels were listed as follows:

	Level1	Level2	Level3	Total
Financial assets				
Financial assets held for trading– Structural deposits	–	–	31,000,000.00	31,000,000.00
Financing receivable– Notes receivable	–	–	135,698,602.79	135,698,602.79
Total financial assets	–	–	166,698,602.79	166,698,602.79

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14 FAIR VALUE ESTIMATION (CONTINUED)

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

As at 31 December 2020, assets and liabilities continuingly measured at fair value based on the above three levels were listed as follows:

	Level1	Level2	Level3	Total
Financial assets				
Financial assets held for trading–				
Structural deposits	–	–	20,000,000.00	20,000,000.00
The floating-income financial products without capital protected	–	–	11,000,000.00	11,000,000.00
Financing receivable–				
Notes receivable	–	–	75,348,838.21	75,348,838.21
Total	–	–	106,348,838.21	106,348,838.21
Financial liabilities				
Gold leasing and corresponding future contracts	–	149,743,160.00	–	149,743,160.00

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.

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

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14 FAIR VALUE ESTIMATION (CONTINUED)

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

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

	31 December 2020	Increase	Decrease	Total gains or losses during current period		31 December 2021	Assets still held on December 31, 2021 are included in changes in unrealized gains or losses in profit and loss for 2021-changes in fair value
				Gains or losses included in the income statements	Gains or losses included in other comprehensive income		
Financial assets							
Financial assets							
held for trading-							
Structural deposits	20,000,000.00	51,000,000.00	(40,000,000.00)	(357,769.19)	-	31,000,000.00	-
Non-guaranteed floating							
income financial products	11,000,000.00	11,000,000.00	(22,000,000.00)	(340,080.83)	-	-	-
Financing receivable-							
Notes receivable	75,348,838.21	957,038,411.19	(896,688,646.61)	-	-	135,698,602.79	-
Total financial assets	106,348,838.21	1,019,038,411.19	(958,688,646.61)	(697,850.02)		166,698,602.79	-

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14 FAIR VALUE ESTIMATION (CONTINUED)

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

	31 December 2019	Increase	Decrease	Total gains or losses during current period		31 December 2020	Assets still held on December 31, 2020 are included in changes in unrealized gains or losses in profit and loss for 2020-changes in fair value
				Gains or losses included in the income statements	Gains or losses included in other comprehensive income		
Financial assets							
Financial assets							
held for trading-							
Structural deposits	50,000,000.00	20,000,000.00	(50,000,000.00)	(763,834.86)	-	20,000,000.00	-
Non-guaranteed floating							
income financial products	10,000,000.00	11,000,000.00	(10,000,000.00)	(359,273.97)	-	11,000,000.00	-
Financing receivable-							
Notes receivable	51,993,646.40	227,181,655.68	(203,826,463.87)	-	-	75,348,838.21	-
Total financial assets	111,993,646.40	258,181,655.68	(263,826,463.87)	(1,123,108.83)	-	106,348,838.21	-

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.

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31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

14 FAIR VALUE ESTIMATION (CONTINUED)

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

The information about of fair value measurement in level 3 was listed as follows

			Inputs			
	Fair value	Valuation technique	Name	Scope/ Weighted average	Relationship with fair value	Observable/ Unobservable
31 December 2021						
Financial assets held for trading-						
Structural deposits	31,000,000.00	Discounted cash flow model	Expected Rate of return	1.50%~4.05%	Positive correlation	Unobservable
Financing receivable-						
Notes receivable	135,698,602.79	Discounted cash flow model	Discount rates	3.85%	Negative correlation	Unobservable
31 December 2020						
Financial assets held for trading-						
Structural deposits	20,000,000.00	Discounted cash flow model	Expected Rate of return	1.50%	Positive correlation	Unobservable
The floating-income financial products without capital protected	11,000,000.00	Discounted cash flow model	Expected Rate of return	3.05%	Positive correlation	Unobservable
Financing receivable-						
Notes receivable	75,348,838.21	Discounted cash flow model	Discount rates	4.35%	Negative correlation	Unobservable

(2) The Group does not have assets measured at fair value on a non-recurring basis.

(3) Assets and liabilities not measured at fair value but for which the fair value is disclosed

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

Expect for the financial assets and financial liabilities mentioned above, no significant difference between the carrying amount of other financial assets and financial liabilities not measured at fair value with fair value.

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15 CAPITAL MANAGEMENT

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

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

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

On 31 December 2021, the Group's strategy is that keep debt asset ratio between 15% and 40%, which is same as 2020. At 31 December 2021 and 31 December 2020, the Group's debt asset ratio shows below:

	31 December 2021	31 December 2020
Total borrowings		
Short-term borrowings	465,000,000.00	477,640,000.00
Long-term borrowings	389,000,000.00	781,500,000.00
Current portion of long-term borrowings	595,000,000.00	442,500,000.00
Financial liabilities held for trading	—	149,743,160.00
	1,449,000,000.00	1,851,383,160.00
Less: cash and cash equivalents	(376,577,078.14)	(263,452,546.93)
Net debt (a)	1,072,422,921.86	1,587,930,613.07
Total equity (b)	4,946,429,390.67	4,432,167,493.95
Total capital (c) = (a) + (b)	6,018,852,312.53	6,020,098,107.02
Gearing ratio (a)/(c)	17.82%	26.38%

16 OPERATING LEASE PROCEEDS AFTER THE BALANCE SHEET DATE

As the lessor, the Group's undiscounted lease proceeds receivable after the balance sheet date are as follows:

	31 December 2021
Within 1 year	14,558,939.17
1 to 2 years	14,558,939.17
2 to 3 years	14,704,528.56
3 to 4 years	14,998,619.14
4 to 5 years	15,298,533.28
Over 5 years	74,303,972.56
	148,423,531.88

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

17 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2021	31 December 2020
Cash on hand	–	–
Cash at bank	345,259,293.15	241,720,615.83
Restricted cash at banks (a)	49,164,930.16	111,691,325.19
	394,424,223.31	353,411,941.02

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

	31 December 2021	31 December 2020
Deposits for issue of bank acceptance notes	49,164,930.16	93,995,422.76
Letter of credit deposits	–	17,695,902.43
	49,164,930.16	111,691,325.19

(2) Financial assets held for trading

	31 December 2021	31 December 2020
Financial assets measured at fair value through profit and loss	20,000,000.00	20,000,000.00

(3) Accounts receivable

	31 December 2021	31 December 2020
Accounts receivable	57,810,931.86	85,986,411.62
Less: provision for bad debts	(4,625,719.10)	(5,757,394.87)
	53,185,212.76	80,229,016.75

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable (Continued)

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

	31 December 2021	31 December 2020
Within 1 year	45,350,572.05	64,184,027.60
1-2 years	4,028,788.24	310,050.12
2-3 years	310,050.12	310,050.12
3-4 years	310,050.12	2,271,568.55
4-5 years	2,271,568.55	9,263,023.37
Over 5 years	5,539,902.78	9,647,691.86
	57,810,931.86	85,986,411.62

(b) As at 31 December 2021 the top five accounts receivable were analysed as follows:

	Ending Balance	Provision for bad debts	% of total balance
Total amount of the top five accounts receivable	50,589,653.38	(647,596.36)	87.51%

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

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable (Continued)

(d) Provision for bad debts

	31 December 2021	31 December 2020
Provision for bad debts of Accounts Receivable	(4,625,719.10)	(5,757,394.87)

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

(i) On 31 December 2021, the related provision of bad debts Accounts receivable analysis as follows:

Group – Related parties:

	31 December 2021			31 December 2020		
	Ending Balance	Provision for bad debts		Ending Balance	Provision for bad debts	
	Amount	Expected credit loss rate throughout the duration	Amount	Amount	Expected credit loss rate throughout the duration	Amount
Not overdue	2,507,555.23	0.20%	(5,129.76)	4,242,984.24	0.60%	(25,461.57)
1-6 months overdue	-	-	-	-	-	-
7-18 months overdue	-	-	-	310,050.12	4.51%	(13,969.03)
More than 18 months overdue	9,936,251.53	21.10%	(2,096,476.02)	18,968,225.62	16.80%	(3,186,721.28)
	12,443,806.76		(2,101,605.78)	23,521,259.98		(3,226,151.88)

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(3) Accounts receivable (Continued)

(d) Provision for bad debts (Continued)

(i) On 31 December 2021, the related provision of bad debts Accounts receivable analysis as follows: (Continued)

Group – Non-related parties :

	31 December 2021			31 December 2020		
	Ending Balance	Provision for bad debts		Ending Balance	Provision for bad debts	
		Expected credit loss rate throughout the duration	Amount		Expected credit loss rate throughout the duration	Amount
	Amount		Amount	Amount		Amount
Not overdue	42,843,016.82	0.01%	(5.04)	59,941,043.36	0.01%	(7,134.71)
1-6 months overdue	-	-	-	-	-	-
7-18 months overdue	-	-	-	-	-	-
More than 18 months Overdue	2,524,108.28	100%	(2,524,108.28)	2,524,108.28	100.00%	(2,524,108.28)
	45,367,125.10		(2,524,113.32)	62,465,151.64		(2,531,242.99)

- (e) This period the amount of provision for bad debts was RMB973,352.39, the amount of recover to the provision of bad debts was RMB2,105,028.16.
- (f) No write-off of accounts receivable occurred during this period.
- (g) No accounts receivable were derecognised due to transfer of financial assets.
- (h) As at 31 December 2020 and 31 December 2021, there is no accounts receivable pledged as collaterals to bank for borrowings.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(4) Financing receivable

	31 December 2021	31 December 2020
Bank acceptance notes	49,910,088.20	48,594,289.52

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

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

As at 31 December, 2021, the Group has no pledged bank acceptance notes receivable listed in financing receivables. (31 December 2020: Nil)

As at 31 December, 2021, the Group's endorsements or discounted but yet outstanding notes for financial receivables are as follows:

	Terminated confirmation	Untermiated confirmation
Bank acceptance notes	28,994,170.00	19,760,000.00

(5) Advances to suppliers

The ageing of advances to suppliers was analysed as follows:

	31 December 2021		31 December 2020	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	216,459,827.47	99.38%	607,409,244.35	99.56%
1~2 years	185,634.00	0.09%	1,561,488.00	0.26%
2~3 years	26,880.00	0.01%	115,570.29	0.02%
Over 3 years	1,122,853.09	0.52%	1,022,282.80	0.16%
	217,795,194.56	100.00%	610,108,585.44	100.00%

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(6) Other receivables

	31 December 2021	31 December 2020
Amount due from subsidiaries (i)	495,919,417.45	835,637,652.39
Amount due from a joint-venture	100,986.30	100,986.30
Cash advance	18,020.84	151,590.63
Futures margin	150,000.00	150,000.00
Others	2,170,829.45	574,625.98
	498,359,254.04	836,614,855.30
Less: provision for bad debts	(12,990.37)	(6,764.25)
	498,346,263.67	836,608,091.05

(i) The amount due from Xinjiang Yakesi was RMB427,528,796.39. The amount due from Shaanxi Xinxin was RMB11,643,961.83. The amount due from Kalatongke Mining was RMB22,183,372.17. The amount due from Beijing Xinding was RMB34,563,287.06.

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

	31 December 2021	31 December 2020
Less than one year	482,482,020.13	624,459,074.30
1~2 years	3,721,452.91	204,792,655.52
2~3 years	4,792,655.52	1,408,606.47
More than 3 years	7,363,125.48	5,954,519.01
	498,359,254.04	836,614,855.30

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(6) Other receivables (Continued)

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

	Stage 1 Expected credit loss for the next 12 months (by group)		Total
	Balance	Provision	Provision for bad debts
31 December 2020	836,614,855.30	(6,764.25)	(6,764.25)
Increase during this year	411,877,968.53	–	–
Decrease during this year	(750,133,569.79)	–	–
Including : Provided for this year	–	–	–
Derecognition	(750,133,569.79)	–	–
Bad Debt Provision increase during this year i)	–	(6,226.12)	(6,226.12)
31 December 2021	498,359,254.04	(12,990.37)	(12,990.37)

i) Except for the change of bad debt provision caused by the increase and decrease of funds in the current year and the conversion between the first and third stages, there is no change of bad debt provision caused by the change of parameter data used to determine the expected credit loss this year.

(i) On 31 December 2021, the analysis of bad debts for other receivables in the first phase was as follows:

	Book Balance	Expected credit losses rate over the next 12 months	Provision for bad debts	Reasons
On the grouping basis :				
Related party Customers	496,020,403.75	0.01%	(1,139.34)	
Staff Reserve	18,020.84	–	–	
Others	2,320,829.45	0.51%	(11,851.03)	Overdue uncollected
	498,359,254.04		(12,990.37)	

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(6) Other receivables (Continued)

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

(ii) On 31 December 2020, the analysis of bad debts for other receivables in the first phase was as follow:

	Ending Balance	Expected credit losses in whole period	Provision for bad debts	Reasons
On the grouping basis :				
Related party Customers	835,738,638.69	0.01%	(489.04)	
Staff Reserve	151,590.63	—	—	
Others	724,625.98	0.87%	(6,275.21)	Overdue uncollected
	<u>836,614,855.30</u>		<u>(6,764.25)</u>	

(iii) On 31 December 2021 and 31 December 2020, there were no other receivables in second and third stage of the company.

(iv) There was no reversal of other receivables for bad debts in this year (2020: RMB6,355,080.85)

(v) No write-off of accounts receivable occurred during this year.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(6) Other receivables (Continued)

(c) As at 31 December 2021, the top five other receivables were analysed as follows:

	Nature	Amount	Ageing	% of total balance	Provision for bad debts
Xinjiang Yakesi	Loans and accounts receivable	427,528,796.39	Within 1 year 1-2 year	85.79%	–
Beijing Xinding	Loans and accounts receivable	34,563,287.06	Within 1 year 1-2 year 2-3 year	6.94%	–
Kalatongke mining	Loans and accounts receivable	22,183,372.17	Within 1 year	4.45%	–
Shaanxi Xinxin	Loans and accounts receivable	11,643,961.83	Within 1 year 1-2 year 2-3 year	2.34%	–
Xinjiang Jinhui Real Estate Development Co., Ltd	Loans and accounts receivable	1,186,585.00	Within 1 year	0.24%	–
		497,106,002.45		99.76%	–

(7) Inventories

	31 December 2021 Provision for declines in value of inventories			31 December 2020 Provision for declines in value of inventories		
	Book balance	Carrying amount		Book balance	Carrying amount	
Raw materials	153,460,137.05	(543,427.80)	152,916,709.25	171,106,854.29	(543,427.80)	170,563,426.49
Work in progress	108,092,459.95	–	108,092,459.95	105,662,595.64	–	105,662,595.64
Semi-finished goods	676,096,445.16	–	676,096,445.16	593,715,123.27	–	593,715,123.27
Finished goods	560,973,515.40	–	560,973,515.40	378,026,981.24	(3,331,229.93)	374,695,751.31
	1,498,622,557.56	(543,427.80)	1,498,079,129.76	1,248,511,554.44	(3,874,657.73)	1,244,636,896.71

(8) Other current assets

	31 December 2021	31 December 2020
To be deducted VAT	28,868,122.64	29,639,657.25
Advance payment of income tax	10,332,126.30	10,332,126.30
	39,200,248.94	39,971,783.55

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(9) Long-term receivable

	31 December 2021	31 December 2020
Long-term receivable	948,650,000.00	381,000,000.00

In 2021, the Company provided long-term loan of RMB890,000,000.00 Subsidiary Corporation Xinjiang Yakesi, with annual rate of 3.85~4.20%, long-term loan of RMB9,650,000.00 to Subsidiary Corporation Beijing Xinding, provided an interest-free loan of RMB200,000,000.00 to the subsidiary Zhongxin Mining. In 2020, the company provided a long-term loan of RMB35,000,000.00 to its subsidiary Xinjiang Yakes with an annual interest rate of 4.75%, and a long-term loan of RMB200,000,000.00 to its subsidiary Kalatongke Mining with an annual interest rate of 4.35%. The company Beijing Xinding provided an interest-free loan of RMB6,000,000.00.

As at 31 December 2021, the balance of long-term receivable was RMB948,650,000.00 (31 December 2020: RMB381,000,000.00).

(10) Long-term equity investment

	31 December 2021	31 December 2020
Subsidiaries (a)	2,465,131,420.87	2,465,131,420.87
Joint venture (b)	209,323,447.37	183,197,915.88
	2,674,454,868.24	2,648,329,336.75
Less: provision of long-term equity investments (note 15(15))	(80,000,000.00)	(80,000,000.00)
	2,594,454,868.24	2,568,329,336.75

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(10) Long-term equity investment (Continued)

(a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2020	Current year changes	31 December 2021	Equity interest	Voting rights held
Mengxi Mining	Cost method	10,200,000.00	10,200,000.00	-	10,200,000.00	51.00%	51.00%
Xinjiang Yakesi	Cost method	467,844,415.12	720,171,915.12	-	720,171,915.12	99.51%	99.51%
Hami Jubao	Cost method	75,000,000.00	206,100,349.00	-	206,100,349.00	98.96%	98.96%
Zhongxin Mining	Cost method	56,659,156.75	118,659,156.75	-	118,659,156.75	97.58%	97.58%
Kalatongke Mining	Cost method	10,000,000.00	1,230,000,000.00	-	1,230,000,000.00	100.00%	100.00%
Beijing Xinding	Cost method	100,000,000.00	100,000,000.00	-	100,000,000.00	100.00%	100.00%
Shaanxi Xinxin	Cost method	80,000,000.00	80,000,000.00	-	80,000,000.00	51.00%	51.00%
			2,465,131,420.87	-	2,465,131,420.87		

(b) Joint-venture

Current year movement							31 December 2021	Provision for impairment
31 December 2020	Increase in investment	Share of net profit using the equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividend declared or profit	Other		
Hexin Mining	183,197,915.88	-	26,125,531.49	-	-	-	209,323,447.37	-

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(11) Right-of-use assets

Original price	Building
31 December 2020	—
Increase this year	
New lease contract	3,779,037.71
31 December 2021	3,779,037.71
Accumulated depreciation	
31 December 2020	—
Increase this year	
Provision	460,858.26
31 December 2021	460,858.26
Book value	
31 December 2021	3,318,179.45
31 December 2020	—

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(12) Fixed assets

(a) Fixed assets

	Building	Machinery and equipment	Motor vehicles	Electronic equipment office equipment	Total
Cost					
31 December 2020	529,269,530.35	503,659,568.09	15,811,957.83	23,311,940.57	1,072,052,996.84
Increase					
Purchase	–	5,113,091.76	2,250,150.21	1,681,723.20	9,044,965.17
Transfer from construction in process					
Decrease					
Disposal and Scrap	–	–	–	(486,118.04)	(486,118.04)
31 December 2021	529,269,530.35	508,772,659.85	18,062,108.04	24,507,545.73	1,080,611,843.97
Accumulated depreciation					
31 December 2020	210,607,027.26	328,429,739.82	13,505,962.78	19,628,934.69	572,171,664.55
Accrue ment	17,002,314.02	30,293,045.80	547,582.17	1,544,406.12	49,387,348.11
Disposal	–	–	–	(217,190.46)	(217,190.46)
31 December 2021	227,609,341.28	358,722,785.62	14,053,544.95	20,956,150.35	621,341,822.20
Net book value					
31 December 2021	301,660,189.07	150,049,874.23	4,008,563.09	3,551,395.38	459,270,021.77
31 December 2020	318,662,503.09	175,229,828.27	2,305,995.05	3,683,005.88	499,881,332.29

As at 31 December 2021, depreciation of fixed assets amounted to RMB49,387,348.11 in total (2020: RMB47,069,725.65), of which RMB45,045,040.41 were charged to operating cost, RMB3,873,332.81 to general and administrative expense, RMB83,105.27 to selling expense, and RMB385,869.62 to research and development expense (31 December 2020: RMB43,143,993.42, RMB3,834,589.94, RMB91,142.29 and RMB0.00).

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(13) Intangible assets

	Land use right	Other	Total
Cost			
31 December 2020	55,769,329.80	895,027.46	56,664,357.26
Additions–Purchase	–	99,380.53	99,380.53
31 December 2021	55,769,329.80	994,407.99	56,763,737.79
Accumulated depreciation			
31 December 2020	13,401,265.54	646,365.88	14,047,631.42
Additions – Provision	1,132,214.76	51,833.87	1,184,048.63
31 December 2021	14,533,480.30	698,199.75	15,231,680.05
Net book value			
31 December 2021	41,235,849.50	296,208.24	41,532,057.74
31 December 2020	42,368,064.26	248,661.58	42,616,725.84

On 31 December 2021, amortisation expense of intangible assets amounted to RMB1,184,048.63 (2020: RMB1,227,224.96).

(14) Deferred tax assets

	31 December 2021		31 December 2020	
	Deductible temporary differences and deductible losses	Deferred tax assets	Deductible temporary differences and deductible losses	Deferred tax assets
Assets impairment	85,182,137.27	12,777,320.59	89,638,816.85	13,445,822.53
Cash settled share payment	456,673.67	68,501.05	–	–
Deductible losses	–	–	275,530,967.31	41,331,359.41
Government grants	4,819,641.06	722,946.16	1,763,244.02	264,486.60
	90,458,452.00	13,568,767.80	366,933,028.18	55,041,668.54
Including				
Deferred tax asset to be recovered within 1 year (including 1 year)		–		42,426,680.92
Deferred tax asset to be recovered after 1 year		13,568,767.80		12,614,987.62
		13,568,767.80		55,041,668.54

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(15) Provision for asset impairment

	31 December 2020	Current year Additions	Current year reductions		31 December 2021
			Reversal	Sold	
Provision for bad debts	5,764,159.12	979,578.51	(2,105,028.16)	–	4,638,709.47
Including: Accounts receivable	5,757,394.87	973,352.39	(2,105,028.16)	–	4,625,719.10
Other receivables	6,764.25	6,226.12	–	–	12,990.37
Provision for decline in value of inventories	3,874,657.73	–	(3,010,345.02)	(320,884.91)	543,427.80
Provision for decline in long-term equity investment (note 16(10))	80,000,000.00	–	–	–	80,000,000.00
	89,638,816.85	979,578.51	(5,115,373.18)	(320,884.91)	85,182,137.27

(16) Notes payable

	31 December 2021	31 December 2020
Notes payable	188,000,000.00	331,350,000.00

(17) Accounts payable

	31 December 2021	31 December 2020
Payable for purchase of materials	331,767,073.51	285,125,966.79
Transportation fee payable	2,434,056.72	2,992,537.07
Other	41,846.15	1,084,607.96
	334,242,976.38	289,203,111.82

(18) Contracts liabilities

	31 December 2021	31 December 2020
Advance payment	1,905,705.08	9,137,155.51

As at 1 January 2021, the amount of contracts liabilities is RMB9,137,155.51. During 2021, the amount of RMB8,641,759.49 was transferred to revenue.

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(19) Employee benefits payable

	31 December 2021	31 December 2020
Short-term employee benefits payable (a)	27,915,473.50	21,259,171.93
Defined contribution plans payable (b)	606,358.87	6,045.13
	28,521,832.37	21,265,217.06

(a) Short-term employee benefits payable

	31 December 2020	Current year additions	Current year reductions	31 December 2021
Salaries, bonuses, allowances and subsidies	16,425,733.32	84,644,924.90	(77,204,525.91)	23,866,132.31
Staff welfare	–	5,784,257.95	(5,784,257.95)	–
Social insurances	2,176.91	7,784,699.59	(7,784,699.59)	2,176.91
Including: Medical insurance	2,176.91	7,002,155.21	(7,002,155.21)	2,176.91
Work injury insurance	–	750,513.89	(750,513.89)	–
Illness insurance	–	32,030.49	(32,030.49)	–
Housing funds	653,878.00	8,558,846.00	(9,212,724.00)	–
Labor union fund and employee education fund	3,913,911.70	2,275,325.20	(2,549,751.62)	3,639,485.28
Others	263,472.00	4,581,749.76	(4,437,542.76)	407,679.00
	21,259,171.93	113,629,803.40	(106,973,501.83)	27,915,473.50

(b) Defined contribution plans

	31 December 2020	Current year additions	Current year reductions	31 December 2021
Basic retirement insurance	–	11,894,424.46	(11,894,424.46)	–
Pension insurance	–	3,660,078.54	(3,059,764.80)	600,313.74
Unemployment insurance	6,045.13	360,525.66	(360,525.66)	6,045.13
	6,045.13	15,915,028.66	(15,314,714.92)	606,358.87

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(20) Taxes payable

	31 December 2021	31 December 2020
Value added tax	207,606.98	120,641.54
Individual income tax	121,329.24	25,476.06
Stamp duty	108,389.11	102,602.58
City maintenance and construction tax	21,375.89	15,268.01
Educational surcharge	15,207.07	10,837.63
Environmental tariff	6,148.30	67,485.19
Others	5,937.33	6,012.33
Total	485,993.92	348,323.34

(21) Other payables

	31 December 2021	31 December 2020
Payable due to related parties	5,566,493.31	11,487,658.34
Payable for construction projects	8,630,995.26	5,800,903.63
Payables for professional service	2,536,311.62	2,320,301.34
Payables for purchases of equipments	1,298,013.26	695,070.00
Others	6,556,037.46	5,912,203.11
Total	24,587,850.91	26,216,136.42

(22) Capital reserve

	31 December 2020	Current year additions	Current year deductions	31 December 2021
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
	4,254,754,857.49	–	–	4,254,754,857.49

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(22) Capital reserve (Continued)

	31 December 2019	Current year additions	Current year deductions	31 December 2020
Contribution from Parent				
Company related to mining right (1)	35,393,957.53	–	–	35,393,957.53
Share Premium (2)	4,219,360,899.96	–	–	4,219,360,899.96
	4,254,754,857.49	–	–	4,254,754,857.49

(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.

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

(23) Revenue and cost of sales

	2021	2020
Revenue from main operation	2,132,871,494.06	1,701,781,819.08
Revenue from other operation	86,196,814.55	5,983,013.01
	2,219,068,308.61	1,707,764,832.09
	2021	2020
Cost of sales from main operation	1,767,132,372.14	1,519,105,517.92
Cost of sales from other operation	70,323,796.51	403.76
	1,837,456,168.65	1,519,105,921.68

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(23) Revenue and cost of sales (Continued)

a. Revenue and cost of sales from main operation

	2021		2020	
	Revenue from main operation	Cost sales from main operation	Revenue from main operation	Cost sales from main operation
Nickel cathode	1,367,409,595.57	1,144,210,056.29	1,201,939,435.09	1,037,550,342.49
Copper cathode	674,562,418.61	564,462,344.53	465,050,401.72	464,158,833.53
Others	90,899,479.88	58,459,971.32	34,791,982.27	17,396,341.90
	2,132,871,494.06	1,767,132,372.14	1,701,781,819.08	1,519,105,517.92

b. Revenue and cost of sales from other operation

	2021		2020	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of sales from other operation
Supply of heating	284,449.65	–	412,095.22	–
Scrap sales	47,363,621.31	37,414,629.73	–	–
Sale of board slag, water slag and other waste residues	37,430,545.91	32,908,761.35	4,884,785.64	–
Sales of electricity	475,026.48	–	529,964.77	–
Others	643,171.20	405.43	156,167.38	403.76
	86,196,814.55	70,323,796.51	5,983,013.01	403.76

(24) Financial expenses – net

	2021	2020
Interest expense	48,899,654.23	61,599,900.18
Less: Capitalised interest	63,632.44	–
Interest expense	48,963,286.67	61,599,900.18
Less: Interest income on bank deposits	(53,337,752.39)	(59,888,275.27)
Bank charges	288,268.11	691,317.80
	(4,086,197.61)	2,402,942.71

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(25) Expenses by nature

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

	2021	2020
Raw materials and consumables used	1,923,057,651.57	1,490,265,413.02
Other production fees	55,603,047.24	31,492,152.68
Employee benefits	129,544,832.06	97,770,185.71
Depreciation expenses (note 16(11), note 16(12))	49,848,206.37	47,069,725.65
Electricity costs	40,941,206.39	41,626,662.60
Transportation fee	9,655,467.65	7,839,326.35
Safety fund	7,833,338.57	7,158,526.04
Amortisation expenses (note 16 (13))	1,184,048.63	1,227,224.96
Office expenses	1,071,330.48	1,168,841.68
Share-base payment expense	456,673.66	—
Operating leases expenses	—	629,926.69
Auditors' fees	1,579,000.00	1,579,000.00
– Audit service	1,579,000.00	1,579,000.00
– Non-audit service	—	—
Provision for decline in value of inventories	(320,884.91)	(1,221,885.03)
Changes in inventories of work in progress, semifinished goods and finished goods (note 16(7))	(267,757,720.36)	(167,439,908.97)
Others	14,755,013.44	10,616,795.75
	1,967,451,210.79	1,569,781,987.13

(26) Investment Income

	2021	2020
Net profit from a joint-venture under equity method (note 4(9))	26,125,531.49	4,257,200.67
Investment Income from disposal of financial assets	357,769.19	3,222,757.48
	26,483,300.68	7,479,958.15

(27) Income tax expenses

	2021	2020
Current income tax	—	—
Deferred income tax	41,472,900.74	21,210,797.22
	41,472,900.74	21,210,797.22

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

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

(27) Income tax expenses (Continued)

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

	2021	2020
Total profit	277,948,856.96	144,528,863.37
Income tax expenses calculated at applicable tax rate of 25%	69,487,214.24	36,132,215.84
Effect of tax deductions	(27,794,885.69)	(14,452,886.34)
Income not subject to tax	(3,918,829.72)	(638,580.10)
Expenses, costs and losses not deductible for tax purposes	—	170,047.82
Unused deductible losses of deferred tax assets	3,699,401.91	—
	41,472,900.74	21,210,797.22

18 NET CURRENT ASSETS

	The Group	
	31 December 2021	31 December 2020
Current assets	2,185,681,400.56	2,068,200,533.61
Less: current liabilities	(1,870,869,248.77)	(1,895,149,843.87)
Net current asset	314,812,151.79	173,050,689.74

	The Company	
	31 December 2021	31 December 2020
Current assets	2,770,940,361.20	3,233,560,604.04
Less: current liabilities	(1,337,937,990.85)	(1,595,159,944.15)
Net current assets	1,433,002,370.35	1,638,400,659.89

NOTES TO FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

19 TOTAL ASSETS LESS CURRENT LIABILITIES

The Group		
	31 December 2021	31 December 2020
Total assets	7,393,499,869.25	7,263,263,840.26
Less: current liabilities	(1,870,869,248.77)	(1,895,149,843.87)
Total assets less current liabilities	5,522,630,620.48	5,368,113,996.39

The Company		
	31 December 2021	31 December 2020
Total assets	6,936,496,984.73	6,843,578,219.91
Less: current liabilities	(1,337,937,990.85)	(1,595,159,944.15)
Total assets less current liabilities	5,598,558,993.88	5,248,418,275.76

SUPPLEMENTAL INFORMATION FOR FINANCIAL STATEMENTS

31 December 2021

(All amounts in RMB Yuan unless otherwise stated)

1 NON-RECURRING PROFIT AND LOSS STATEMENT

	2021	2020
Changes in fair value losses on disposal of financial liabilities at fair value through profit or loss and investment income from disposal of available-for-sale financial assets – net value	697,850.02	2,926,671.45
Government grants through profit or loss	4,347,244.47	8,150,230.47
Reversal of expected credit loss	5,812,100.00	–
Loss on disposal of non-current assets	(149,778.53)	208,602.17
Reversal of provisions	–	161,519,379.04
Impairment of long-term assets due to force majeure	–	(135,543,621.45)
Other none-operating revenues and expenses – Net	(3,135,254.55)	(3,500,040.33)
	7,572,161.41	33,761,221.35
Income tax	(1,151,413.26)	(1,169,819.38)
Non-controlling interest impact (after tax)	(163,845.26)	(12,537,864.37)
	6,256,902.89	20,053,537.60

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 EARNINGS/(LOSS) ON NET ASSETS AND EARNINGS/(LOSS) PER SHARE

	Weighted average loss on net assets (%)		Earnings/(Loss) per share			
	2021	2020	Earnings/(Loss) per share		Diluted Earnings/(Loss) per share	
	2021	2020	2021	2020	2021	2020
Net earnings attributable to ordinary shareholders	10.99%	3.49%	0.233	0.069	0.233	0.069
Net earnings attributable to ordinary shareholders excluding extraordinary items	10.86%	0.39%	0.230	0.060	0.230	0.060



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