



Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

Stock Code : 3833

Interim Report

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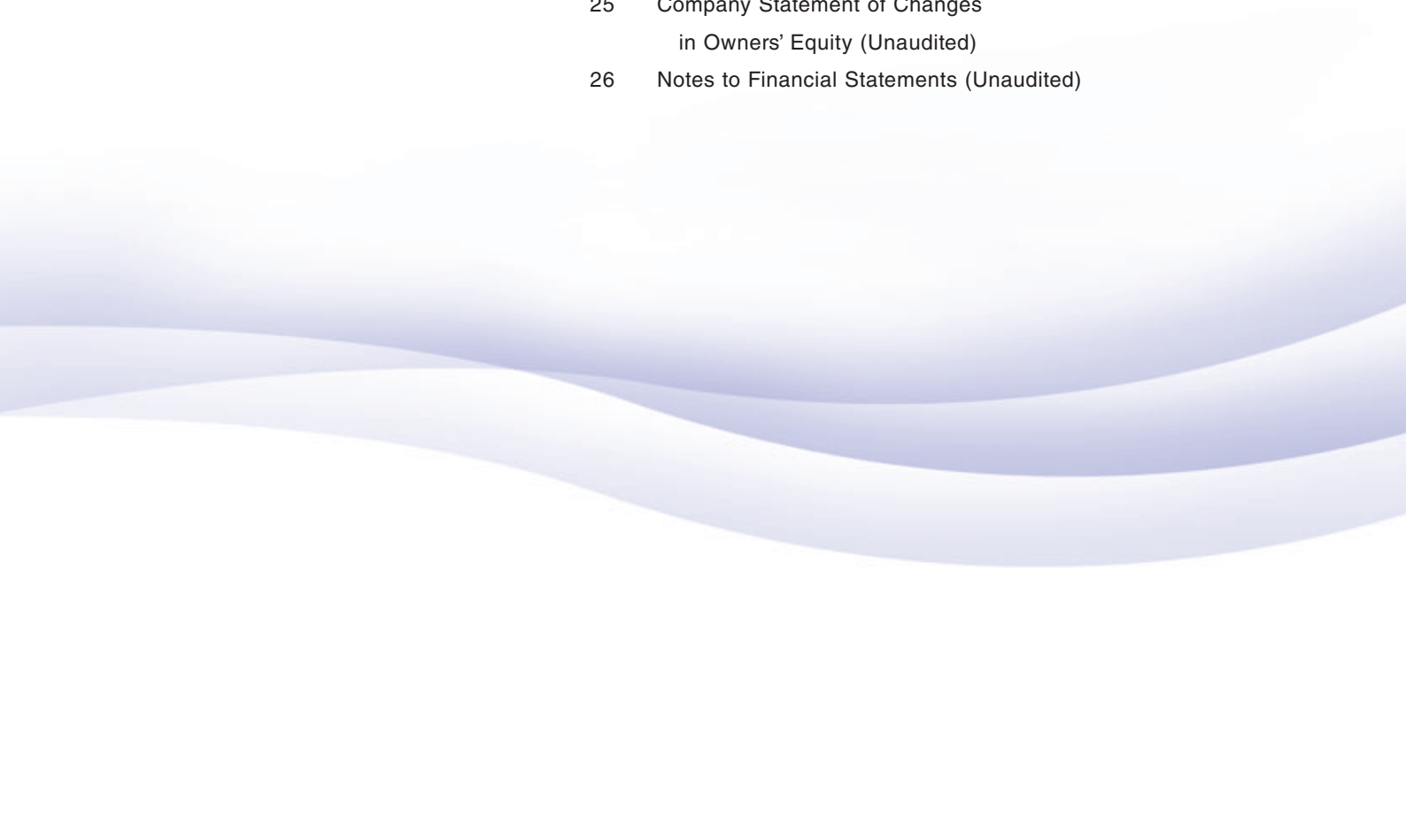


We See The Future

* For identification purpose only

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Corporate Information

Executive Directors

Yuan Ze (袁澤) (*Chairman*)
Shi Wenfeng (史文峰)
Zhang Guohua (張國華)
Liu Jun (劉俊)

Non-executive Directors

Zhou Chuanyou (周傳有)
Niu Xuetao (牛學濤)

Independent non-executive Directors

Chen Jianguo (陳建國)
Sun Baosheng (孫寶生) (Deceased on 12 March 2011)
Wang Lijin (汪立金) (Appointed on 16 May 2011)
Ng Yuk Keung (吳育強)

Supervisors

Jiang Mingshun (姜明順)
Sun Baohui (孫寶輝)
Liu Dao Ying (劉道英)
Hu Zhijiang (胡志江)
Chen Yuping (陳玉萍)

Company secretaries

Lam Cheuk Fai (林灼輝) *FCCA, FCPA*
Zhang Junjie (張俊杰)

Audit committee

Chen Jianguo (陳建國)
Zhou Chuanyou (周傳有)
Ng Yuk Keung (吳育強)

Authorised representatives

Zhang Guohua (張國華)
Lam Cheuk Fai (林灼輝) *FCCA, FCPA*
Ng Yuk Keung (吳育強) (*Alternate*)

Registered office in Hong Kong

Unit 3102-3105, 31/F, Office Tower, Convention Plaza
1 Harbour Road
Wanchai, Hong Kong

Statutory address and principal place of business in the PRC

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

Legal advisers to the Company

Stephen Mok & Co in association with Eversheds
LLP (Hong Kong law)
Beijing Grandfield Law Firm (PRC law)

Auditors

International and PRC auditors
PricewaterhouseCoopers Zhong Tian CPAs
Limited Company

H Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Company website

www.xjxxky.com.cn

Stock Code

3833



Company Results

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd.* (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”) for the six months ended 30 June 2011 (the “Period”), together with the unaudited consolidated operating results of the first half of 2010 (the “Same Period Last Year”) for comparison. Such operating results have been reviewed and confirmed by the Company’s audit committee (the “Audit Committee”). Consolidated revenue of the Group for the Period decreased by 19.6% from RMB558.7 million to RMB449.2 million, mainly due to decreases in sales of nickel cathode and copper cathode by 14.2% and 33.1%, respectively. The realised consolidated net profit attributable to the equity holders of the Company decreased by 66.9% to RMB61.3 million.

Basic earnings per share attributable to the equity holders of the Company for the Period amounted to RMB0.028, representing a decrease of RMB0.056 per share as compared to that for the Same Period Last Year. The decrease in basic earnings per share was mainly due to the decrease in net profit.

The Board does not recommend any payment of interim dividend for 2011.

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

* *For identification purpose only*

Basis of Preparation of Financial Statements

The H Shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Up to the financial years/periods ended 31 December 2010, the consolidated financial statements of the Group were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") for Stock Exchange disclosure purposes. The consolidated financial statements of the Group for the year commencing from 1 January 2011 are prepared in accordance with the CAS which is an additional body of accounting standards as approved by the Stock Exchange for Stock Exchange disclosure purposes. As the Company is a PRC incorporated company, the Board believes that it is in the best interests of the Company that the financial statements of the Group are prepared in conformity with CAS. A reconciliation of differences of consolidated net assets as at 31 December 2010 and net profit attributable to equity holders of the Company for the six months ended 30 June 2010 between CAS and HKFRS financial statements are as follows:

	Consolidated net profit attributable to equity holders of the Company	Consolidated net assets attributable to equity holders of the Company
	Six months ended 30 June 2010 (unaudited) <i>RMB'000</i>	31 December 2010 (unaudited) <i>RMB'000</i>
Based on CAS	185,302	5,479,055
Difference		
– Reversal of difference of the property, plant and equipment valuation gains (<i>Note</i>)	1,781	–
Based on HKFRS	187,083	5,479,055

Note: The difference represents the reversal of property, plant and equipment valuation gains recognised in CAS financial statements upon the reorganisation of the Company to a joint stock limited Company in 2005 for the purpose of preparing HKFRS financial statements. The gains were fully reversed during the period from 2005 to first half of 2010. Subsequently there is no accounting difference between the Company's CAS and HKFRS financial statements.



Management Discussion and Analysis

Market Review and Outlook

Nickel and copper prices for the Period have rebounded as a result of the recovery of the global and the PRC economy. During the first half of 2011, the average three-month future price of nickel cathode was traded on the London Metal Exchange (“LME”) at US\$25,629 per tonne, representing an 20% increase from US\$21,284 per tonne for the Same Period Last Year, and the average three-month future price of copper cathode was traded on the LME at US\$9,406 per tonne during the Period, representing a 31% increase from US\$7,161 per tonne for the Same Period Last Year.

In the domestic non-ferrous metal market, during the first half of 2011, the average spot price (including tax) of nickel cathode was traded on the Changjiang Nonferrous Metal Spot Market (長江有色金屬現貨市場) at RMB193,457 per tonne, representing a 21% increase from RMB159,436 per tonne for the Same Period Last Year, and the average spot price (including tax) of copper cathode was traded on the Changjiang Nonferrous Metal Spot Market at RMB70,446 per tonne, representing a 24% increase from RMB57,061 per tonne for the Same Period Last Year. During the reporting period, the trend of the nickel cathode and copper cathode prices in the domestic market was basically in line with that in the international market.

It is expected that the trading of nickel cathode and copper cathode in the domestic market will continue to be active in the second half of 2011.

Business Review

During the Period, the consolidated revenue of the Group amounted to RMB449.2 million, representing a 19.6% decrease from RMB558.7 million for the Same Period Last Year. The total comprehensive income attributable to the equity holders of the Company was RMB61.3 million, representing a 66.9% decrease from RMB185.3 million for the Same Period Last Year.

During the first half of 2011, the average selling price of nickel cathode of the Group was approximately RMB159,708 per tonne (excluding tax), representing a 19.9% increase from RMB133,235 for the Same Period Last Year, and the average selling price of copper cathode of the Group was approximately RMB59,104 per tonne (excluding tax), representing a 23.7% increase from RMB47,788 for the Same Period Last Year.

The decrease of the consolidated revenue of the Group was mainly due to the decrease of sales volume. During the first half of 2011, Kalatongke Copper-nickel Mine underwent technological renovation and capacity expansion for its smelting operation which included the trial production and adjustment of its production flow, leading to a significant decrease in output of the self-produced water hardening and nickel matte (which is the direct raw material for refining nickel cathode and copper cathode) of the Company in the first half of 2011 as compared to that of the Same Period Last Year, which caused the decrease in the output of nickel cathode and copper cathode of the Company in the first half of 2011, while inventory of self-produced nickel-containing raw materials increased. During the first half of 2011, the Company produced 2,720.4 tonnes of nickel cathode, representing a 11% decrease from 3,057.1 tonnes for the Same Period Last Year, and produced 1,414 tonnes of copper cathode, representing a 35% decrease from 2,175.9 tonnes for the Same Period Last Year.

Management Discussion and Analysis

Resources and Reserves

The estimated resources and reserves for the deposits of the Group's mines at Kalatongke, Huangshandong, Huangshan and Xiangshan as at 30 June 2011 are set out in the following tables:

	Ore	Grade		Metal contents	
	(t)	Cu (%)	Ni (%)	Cu (t)	Ni (t)
Resources as at 30 June 2011					
Kalatongke	34,619,455	0.99	0.56	343,775	194,133
Huangshandong, Huangshan, Xiangshan	84,736,362	0.27	0.45	231,044	380,487
Total	119,355,817			574,819	574,620
Reserves as at 30 June 2011					
Kalatongke	21,958,214	1.00	0.62	220,532	135,688
Huangshandong, Huangshan, Xiangshan	33,608,521	0.31	0.50	102,745	166,390
Total	55,566,735			323,277	302,078

Note: The resources and reserves estimates for the deposits at Kalatongke Mine were based on the 2007 estimation stated in the independent technical review report set out in the Company's Prospectus. The resources and reserves for the deposits at Huangshandong, Huangshan and Xiangshan mines were based on the 2008 estimates of resource and reserves approved for record by the Department of Land and Resources of the PRC. The increases and decreases of mining consumption and exploration during the period were confirmed by internal experts.

Management Discussion and Analysis

Mineral Exploration, Mine Development and Mining Production Activities

Mineral Exploration

To expand our reserve of resources and to achieve sustainable healthy development, during the first half of 2011, Kalatongke Copper-nickel Mine, a branch of the Company, mainly conducted the supplementary exploration of No. 1 and No. 2 ore deposits and exploration of Copper-nickel Mine areas, as well as completed 3,015.7 meters of drilling in pit (坑內鑽探) and 950 meters of surface drilling. Xinjiang Yakesi Resources Co. Ltd. (新疆亞克斯資源開發股份有限公司) (“Xinjiang Yakesi”) and Hami Jubao Resources Co. Ltd. (哈密市聚寶資源開發有限公司) (“Hami Jubao”), the wholly-owned subsidiaries of the Company, carried out the supplementary geological exploration in Hami Xiangshan Copper-nickel Mine, Hami Huangshan Copper-nickel Mine Infrastructure Exploration Special Project, Huangshandong Copper-nickel No. 12 and No. 17 Mine Areas Production and Exploration Project and Huangshandong Copper-nickel Mine Infrastructure Exploration Project. The exploration works have completed the tunneling footage totalling 5,134 meters.

During the first half of 2011, the Group’s geological exploration expenditure amounted to RMB0.8 million.

Mine Development

In order to develop the Company into a highly competitive non-ferrous metal company, Kalatongke Copper-nickel Mine, a branch of the Company, and Xinjiang Yakesi, a wholly-owned subsidiary of the Company, has invested large amount of money in developing mining business.

During the first half of 2011, Kalatongke Copper-nickel Mine completed level excavation of 396 meters at the 530 meter level and 506 meter level of No. 2 wind well; brush expansion of 97 meters at the 530-410 meter level of OP2 mine sliding well (溜礦井) by using raise boring machine; main roadway excavation of 180 meters and level shotcrete of 1,680 meters at 260 meter level of No. 3 wind well; brush expansion of 180 meters at the 770-590 meter level of the main low grade ore sliding well, excavation of 192 meters at the 590 meter level of the west transportation strike drive, excavation of pump switching chamber at 410 meter level, excavation of water sump for 50 meters, and completion of 60-cubic-meter casting works of the pump switching chamber of No.2 main well; excavation of level assistant ramp at 830-770 meter level and excavation of filling roadway and filling chamber at 965 meter mid-segment for No. 1 ore body ramp; excavation of 220 meters for well bore of No. 4 wind well, as well as excavation of 298 meters at 530 meter level of filling return airway of No.3 ore body. Xinjiang Yakesi has made respective investments in exploring No. 17 ore body of Huangshandong, constructing the auxiliary well of Xiangshan Mine, and developing No. 30 well-lane and No. 32 well-lane of Huangshan West. Hami Jubao has invested in exploring No. 12 Mine of Huangshandong.

The Group’s expenditure for exploring and constructing mines amounted to RMB115 million.

Mining Production

During the first half of 2011, Kalatongke Copper-nickel Mine produced 224,580 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 263,399 tonnes of ores.

During the Period, the aggregate expenditure on the mining production operation was approximately RMB102.6 million.

Management Discussion and Analysis

Financial Review and Analysis

Turnover and gross profit

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

Product Name	For the period ended 30 June 2011			For the period ended 30 June 2010		
	Sales Volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to Revenue
Nickel cathode	2,268.2	362,254	80.6%	3,168.1	422,106	75.6%
Copper cathode	1,120.0	66,195	14.7%	2,069.5	98,896	17.7%
Copper concentrate				566.8	6,910	1.2%
Other products		20,751	4.7%		30,741	5.5%
Total revenue		449,200	100.0%		558,653	100.0%
Cost of sales		(313,587)	69.8%		(340,394)	60.9%
Gross profit		<u>135,613</u>	30.2%		<u>218,259</u>	39.1%

During the Period, the turnover of nickel cathode decreased 14.2% to RMB362.3 million as compared to that in the Same Period Last Year. The average selling price of nickel cathode increased 19.9% to RMB159,708 per tonne during the Period as compared to that in the Same Period Last Year. The increase of the average selling price of nickel cathode was attributable to the recovery of the domestic economy. The sales volume of nickel cathode decreased 28.4% to 2,268.2 tonnes during the Period. The increase in nickel cathode price was offset by the decrease in its sales volume.

During the Period, the turnover of copper cathode decreased 33.1% to RMB66.2 million as compared to that in the Same Period Last Year. The average selling price of copper cathode increased 23.7% to RMB59,104 per tonne during the Period as compared to that in the Same Period Last Year. The sales volume of copper cathode decreased 45.9% to 1,120 tonnes during the Period. The increase in copper cathode price was offset by decrease in its sales volume.

During the Period, there was no external sale of copper concentrate.

During the Period, the turnover of other products decreased 30.7% to RMB20.8 million as compared to that in the Same Period Last Year. The decrease in turnover was mainly due to decrease in the sales volumes of materials such as gold, silver and palladium.



Management Discussion and Analysis

The gross profit of the Group for the Period was RMB135.6 million, representing a decrease of 37.9% from RMB218.3 million for the Same Period Last Year. The gross profit margin for the Period and the Same Period Last Year were 30.2% and 39.1%, respectively. The decrease in gross profit margin was mainly because the smelting process, being part of the technical renovation and expansion projects of Kalatongke Copper-nickel Mine, has commenced trial production and adjustment of its process in the first half of 2011 and leading to a significant decrease in the output of self-produced water hardening and nickel matte (which is the direct raw materials for refining nickel cathode and copper cathode) of the Company in the first six months of 2011 as compared to those for the Same Period Last Year. The proportion of self-produced raw materials for producing nickel cathode and copper cathode decreased as compared to last year, resulting in an increase in unit production costs and a decrease in gross profit margin.

Sales and marketing costs

Sales and marketing costs increased slightly by 6.7% to RMB3.1 million as compared to that in the Same Period Last Year.

Administrative expenses

Administrative expenses increased 40.6% to RMB61.2 million mainly due to the increase in employee's salaries and the mineral resources compensation fee.

Finance income – net

The net finance income decreased 41.2% to RMB11.6 million for the Period, mainly because the average cash and bank balances were lower than that in the Same Period Last Year, leading to a decrease in interest income.

Financial position

The consolidated balance sheet of the Group remains strong. In the first half year of 2011, the owners' equity decreased by 3.6% to RMB5,490.8 million as at 30 June 2011, primarily due to distribution of final dividend for 2010 as approved by Annual General Meeting 2010. Total assets of the Group increased by 7.6% to RMB6,694.3 million, primarily due to the receipt of bank borrowings by the Group and the operating profit generated during the Period.

As at 30 June 2011, the Group's net cash outflow generated from operating activities was RMB227.1 million, representing a decrease of RMB356.6 million as compared to that in the Same Period Last Year, primarily due to a decrease of operating profit and an increase in external purchase of nickel-containing raw materials. Net cash outflow of RMB613.9 million used in investment activities mainly consisted of the payments for the equipment and project expenses in relation to the technology renovation and the expansion projects of the Group as well as the amount advanced for equity in Shaanxi Mingtai Limited Liability Company. Net cash inflow of RMB374.6 million from financing activities mainly consisted of the bank loans and the further capital injection from another shareholder of Wuxin Copper received by the Company.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2011, the Group had total cash and cash equivalents amounting to RMB1,035.3 million, and those as at 31 December 2010 were RMB1,501.70 million.

	As at 30 June 2011	As at 31 December 2010
Current Ratio (Times)	2.65	6.6
Gearing Ratio	5.1%	0.48%

As at 30 June 2011, the Group's borrowings were working capital borrowings of 110 million from its holding company and the loans, amounting to 230 million for infrastructure projects of a subsidiary, Xinjiang Yakesi.

Commodity Price Risk

The prices of the Group's products are impacted by their international and domestic market prices and changes in global supply and demand for such products. Price volatility of non-ferrous metals is also affected by the global and PRC economics 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 supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and profit of the Company. The Group did not engage in nor enter into any trading contracts and pricing arrangements to hedge the risk of volatility of non-ferrous metals prices.

Risk of Fluctuations in Exchange Rate

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

Purchase, Disposal or Redemption of the Listed Securities of the Company

The Company had not redeemed any of its listed securities during the Period. Neither the Company nor any of its subsidiaries had purchased or disposed any listed securities of the Company during the Period.

Management Discussion and Analysis

Charge on Assets

There were no charges or pledges of assets in the Group as at 30 June 2011.

Material Litigation

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

Contingent Liabilities

Save as disclosed in the unaudited consolidated interim financial information, if any, the Group had no other significant contingent liabilities as at 30 June 2011.

Major Acquisitions and Disposal

There were no other major acquisitions and disposals in relation to the Group during the Period.

Significant Events after Balance Sheet Date

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

Historical Capital Expenditure

Capital expenditure was primarily used to expand the production capacities of the Group and to improve the mining, ore processing, smelting and refining technology of the Group. The following table sets out the conditions of the Group's capital expenditure as well as the ratio of the capital of each operation over total capital expenditure based on various categories of operations for the six months ended 30 June 2011:

	Six month ended 30 June 2011	
	<i>RMB'000</i>	<i>Percentage</i>
		<i>%</i>
Mining, ore processing and smelting and complementary operations in Kalatongke Mine	128,046	24.7%
Refining and complementary operations in Fukang Refinery	42,294	8.2%
Exploration of Mengxi Mining	2,968	0.6%
Mining and ore processing operations in Xinjiang Yakesi	96,130	18.5%
Mining operation in Hami Jubao	7,725	1.5%
Smelting and complementary operations in Hamin Zhongxin	7,215	1.4%
100,000-ton of copper smelting operation in Wuxin Copper	234,473	45.1%
	518,851	100%

Directors' Interest

Directors' and Supervisors' Interest in Contract

As at 30 June 2011, none of the directors or supervisors of the Company had any material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or any of its fellow subsidiaries was a party during the Period.

Interests and Short Positions of Directors and Supervisors in Shares, Underlying Shares and Debentures

As at 30 June 2011, 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 Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions in Shares and Underlying Shares of the Company

Director/Supervisor	Number of Shares held			Classes of share	Percentage of aggregate interests to relevant class of share	Percentage of aggregate interests to the total share capital
	Personal interest	Corporate interests	Total interests			
Zhou Chuanyou		480,924,000	480,924,000	Domestic share (Note 1)	33.14	21.76
		4,027,000	4,027,000	H share (Note 2)	0.53	0.18

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.

2: The H shares are directly held by Hong Kong CCIG International Industrial Co., Ltd., which is beneficially owned by Zhou Chuanyou.

Save as disclosed above, none of Directors and Supervisors and their respective associates had, as at 30 June 2011, 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' Interest

Share Appreciation Rights Incentive Scheme

At the annual general meeting held on 29 May 2008, the Company adopted and approved a share appreciation rights incentive scheme (the "Share Appreciation Rights Incentive Scheme" or "SARIS") to acknowledge the contributions of 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.

Below listed are the recipients of the SARIS and their allocated number of shares under the SARIS as at 30 June 2011:

Name	Position	Number of shares under the SARIS	Percentage of total issued shares (%)
Yuan Ze	Chairman of the Board and executive director	3,000,000	0.136
Shi Wenfeng	General manager and executive director	2,000,000	0.090
Zhang Guohua	Executive deputy general manager and executive director	2,000,000	0.090
Liu Jun	Deputy general manager and executive director	1,000,000	0.045
Niu Xuetao	Non-executive director	500,000	0.023
He Hongfeng	Financial controller	1,000,000	0.045
Zhang Junjie	Company secretary	1,000,000	0.045
Wu Tao	Chief engineer	1,000,000	0.045
Senior management		11,500,000	0.521
Twelve other key personnel		3,120,000	0.141
		14,620,000	0.662

Directors' and Supervisors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or supervisors of the Company or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, its subsidiary or any of its fellow subsidiaries a party to any arrangement to enable the directors or supervisors of the Company to acquire such rights in any other body corporate.

Share Capital and Dividends

Share Capital

The Company's share capital as at 30 June 2011 is as follows:

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

Shareholding of Substantial Shareholders

So far as known to any director or supervisor of the Company, as at 30 June 2011, the persons or companies (other than a director or supervisor of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Number of shares held	Class of share	Approximate percentage of shareholding on relevant class of shares (%)	Approximate percentage of the total share capital (%)
Xinjiang Non-ferrous Metal Industry (Group) Ltd.* (新疆有色金屬工業(集團)有限責任公司)	885,204,000 (L)	Domestic share	61.01	40.06
Shanghai Yilian Kuangneng Co. Ltd* (上海怡聯礦能實業有限公司) (Note)	282,896,000 (L)	Domestic share	19.50	12.80
Zhongjin Investment (Group) Ltd* (中金投資(集團)有限公司) (Note)	198,028,000 (L)	Domestic share	13.65	8.96
The National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會)	69,000,000 (L)	H share	9.09	3.12
The Hamon Investment Group Pte Limited	46,661,000 (L)	H share	6.15	2.11
The Dreyfus Corporation	38,068,000 (L)	H share	5.02	1.72

(L) = Long positions



Share Capital and Dividends

Note: The entire shareholdings/equity interests of Shanghai Yilian Kuangneng Co. Ltd. and Zhongjin Investment (Group) Ltd. are beneficially owned by Mr. Zhou Chuanyou (周傳有).

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

Save as disclosed above, as at 30 June 2011, the directors of the Company were not aware of any other person (other than a director or supervisor of the Company) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Dividends

The Board does not recommend any payment of interim dividend for 2011 (Nil for 2010).

Employees and Welfare

As at 30 June 2011, the Group had a total of 3,299 full-time employees. Breakdowns by function and division are as follows:

Division	Employees	Total <i>(In percentage)</i>
Management and administration	180	5.5%
Engineering technician	444	13.5%
Production staff	2,050	62.0%
Repair and maintenance	441	13.4%
Inspection	169	5.1%
Sales	15	0.5%
	3,299	100.0%

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident funds. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, unemployment insurance and housing provident funds which the Group must contribute are 20%, 6%-7.5%, 2% and 10%, respectively, of its employees' total monthly basic salary. The Group also contributes 0.5%-2% of its employees' total monthly basic salary for occupational injury insurance and 0.6%-1% of their total monthly basic salary for maternity cover.



Use of Proceeds

During the Period, the Company applied the proceeds from its initial public offering totaling RMB386.5 million as follows:

- RMB0.3 million was used in relation to the exploration of inner and peripheral areas in Kalatongke Mine;
- RMB35.2 million was used in relation to the further expansion of the mining and ore processing of Kalatongke Mine;
- RMB85.6 million was used in relation to the expansion of the smelting operation in Kalatongke Mine;
- RMB30.0 million was used in relation to the expansion of the refining capacity of Fukang Refinery in respect of 12,000 tonnes of copper cathode per year;
- RMB125.4 million was used in relation to further capital injection of Xinjiang Wuxin;
- RMB100.0 million was used to establish Xinjiang Xinding Shunze Co. Ltd. (wholly-owned); and
- RMB10.0 million was used to establish Xinjiang Kalatongke Mining Industry Co. Ltd. (wholly-owned).



Corporate Governance

Corporate Governance and Compliance with the Code on Corporate Governance Practices

The Company is committed to improving its corporate governance, and enhancing the transparency to its shareholders. Throughout the Period, to the knowledge of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Board of Directors

The Board consists of nine directors, including four executive directors, two non-executive directors and three independent non-executive directors. During the Period, the Board convened two meetings (with an attendance rate of 17/17) in which all four executive directors attended such Board meetings.

Supervisory Committee

The Company has a supervisory committee comprising five Supervisors to exercise supervision over the Board and its members and the senior management, and preventing them from abusing their power and authorities and jeopardizing the legal interests of its shareholders, the Company and its employees. The supervisory committee convened one meeting during the Period (with an attendance rate of 4/5).

Model Code for Securities Transactions by Directors of Listed Issuers

The Company had adopted the Model Code as its code of conduct regarding securities transactions by the directors. Upon specific enquiries made of all the directors of the Company and in accordance with information provided, the Board confirmed that all directors of the Company have complied with the provisions under the Model Code during the Period.

Audit Committee

Written terms of reference of the audit committee of the Board (the "Audit Committee") based on "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants have been adopted by the Board. The Audit Committee provides an important link between the Board and the Group's auditors in matters falling within the scope of the audit of the Group. The Audit Committee reviews the effectiveness of the external audit and of internal controls, evaluate risks and will provide comments and advice to the Board. The Audit Committee comprises one non-executive director, namely, Mr. Zhou Chuanyou and two independent non-executive directors, namely, Mr. Chen Jianguo and Mr. Ng Yuk Keung. The Audit Committee is chaired by Mr. Chen Jianguo. The Audit Committee has reviewed the unaudited financial results of the Group for the Period and considered that they are in compliance with the relevant accounting standards, and that the Company has made appropriate disclosure thereof.

By Order of the Board
Xinjiang Xinxin Mining Industry Co., Ltd.
Yuan Ze
Chairman

Xinjiang, the PRC, 22 August 2011

Consolidated and Company Balance Sheets (Unaudited)

As at 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

Note	As at 30 June 2011 Consolidated (unaudited)	As at 31 December 2010 Consolidated (audited)	As at 30 June 2011 Company (unaudited)	As at 31 December 2010 Company (audited)	
ASSETS					
Current assets					
Cash at bank and on hand	7(1)	1,058,310,140.39	1,545,857,673.26	579,324,059.64	1,140,978,897.26
Notes receivable	7(2)	143,737,380.24	2,408,098.00	134,284,180.58	2,408,098.00
Accounts receivable	7(4)/7(26)/12(1)	109,340,344.97	163,032,508.42	106,305,013.97	159,016,523.92
Advances to suppliers	7(6)	106,236,513.62	29,200,903.63	152,471,501.36	192,630,064.37
Interest receivable	7(3)	1,191,112.95	3,438,911.24	1,191,112.95	1,699,761.24
Dividends receivable		–	–	105,760,490.37	–
Other receivables	7(5)/7(26)/12(2)	61,813,831.32	96,963,047.75	50,341,308.75	80,224,805.89
Inventories	7(7)	705,245,454.21	447,985,564.55	600,779,360.41	403,860,248.53
Total current assets		2,185,874,777.70	2,288,886,706.85	1,730,457,028.03	1,980,818,399.21
Non-Current assets					
Long-term equity investments	7(8)/12(3)	146,775,746.07	146,421,574.27	1,713,981,180.45	1,477,896,806.40
Property, plant and equipments	7(9)	1,250,633,259.87	654,987,361.68	978,998,641.29	426,686,147.87
Construction materials	7(10)	17,526,097.31	13,022,260.22	10,304,468.34	8,423,868.69
Construction in progress	7(11)	2,106,712,433.09	2,238,313,689.68	970,322,391.44	1,387,553,045.00
Intangible assets	7(12)	770,142,741.19	766,053,120.21	330,619,499.03	336,439,722.23
Goodwill	7(13)	27,832,805.11	27,832,805.11	–	–
Long-term prepaid expenses		599,242.98	533,128.68	–	–
Deferred tax assets	7(25)	16,487,338.36	29,562,971.04	6,850,902.70	6,850,902.70
Other non-current assets	7(14)	171,745,751.61	55,532,567.99	80,000,000.00	–
Total non-current assets		4,508,455,415.59	3,932,259,478.88	4,091,077,083.25	3,643,850,492.89
TOTAL ASSETS		6,694,330,193.29	6,221,146,185.73	5,821,534,111.28	5,624,668,892.10

Consolidated and Company Balance Sheets (Unaudited)

As at 30 June 2011

(All amounts in RMB Yuan unless otherwise stated)

	Note	As at 30 June 2011 Consolidated (unaudited)	As at 31 December 2010 Consolidated (audited)	As at 30 June 2011 Company (unaudited)	As at 31 December 2010 Company (audited)
LIABILITIES AND OWNERS' EQUITY					
EQUITY					
Current liabilities					
Short-term loan	7(23)	110,000,000.00	–	110,000,000.00	–
Notes payable	7(15)	14,696,162.80	36,343,647.00	–	–
Accounts payable	7(16)	256,908,049.96	203,737,338.33	106,100,865.09	155,398,053.97
Advances from customers	7(17)	9,118,349.54	3,987,003.38	6,164,964.04	3,408,822.48
Employee benefits payable	7(18)	48,669,361.26	51,402,733.91	41,667,186.64	41,629,886.48
Taxes payable	7(19)	11,888,641.81	13,705,579.05	4,027,849.14	4,159,636.60
Dividends payable		331,500,000.00	–	331,500,000.00	–
Other payables	7(20)	42,453,713.32	37,210,437.98	27,377,468.41	9,899,867.16
Current portion of non-current liabilities	7(22)	109,963.57	250,822.97	109,963.57	250,822.97
Total current liabilities		825,344,242.26	346,637,562.62	626,948,296.89	214,747,089.66
Non-current liabilities					
Provision	7(21)	6,209,026.51	6,839,546.51	5,373,521.00	6,004,041.00
Long-term payables	7(22)	100,000.00	100,000.00	100,000.00	100,000.00
Long-term loans	7(23)	230,000,000.00	30,000,000.00	–	–
Deferred tax liabilities	7(25)	102,505,458.34	102,957,311.05	–	–
Other non-current liabilities	7(24)	39,379,470.96	39,495,650.88	16,326,690.54	16,337,981.52
Total non-current liabilities		378,193,955.81	179,392,508.44	21,800,211.54	22,442,022.52
Total liabilities		1,203,538,198.07	526,030,071.06	648,748,508.43	237,189,112.18
Owners' equity					
Share capital	7(27)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	7(28)	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49
Special reserve	7(29)	1,189,148.37	–	851,974.70	–
Surplus reserve	7(30)	194,806,549.58	194,806,549.58	194,806,549.58	194,806,549.58
Undistributed profits	7(31)	206,806,455.84	476,994,280.77	169,872,221.08	385,418,372.85
Total equity attributable to equity holders of the Company		5,210,057,011.28	5,479,055,687.84	5,172,785,602.85	5,387,479,779.92
Minority interests	7(32)	280,734,983.94	216,060,426.83	–	–
Total owners' equity		5,490,791,995.22	5,695,116,114.67	5,172,785,602.85	5,387,479,779.92
TOTAL LIABILITIES AND OWNERS' EQUITY		6,694,330,193.29	6,221,146,185.73	5,821,534,111.28	5,624,668,892.10

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

Consolidated and Company Income Statements (Unaudited)

For the Six Months Ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 2011 Consolidated (unaudited)	Six months ended 2010 Consolidated (unaudited)	Six months ended 2011 Company (unaudited)	Six months ended 2010 Company (unaudited)
Revenue	7(33)12(4)	449,199,559.18	558,652,780.73	440,834,995.97	542,820,356.41
Less: Cost of sales	7(33)12(4)	(313,586,988.23)	(340,394,215.98)	(385,201,430.74)	(372,519,634.17)
Taxes and surcharges	7(34)	(1,564,963.65)	–	(223,166.68)	–
Selling and distribution expenses	7(35)	(3,075,123.37)	(2,872,923.62)	(2,521,161.84)	(2,355,747.48)
General and administrative expenses	7(36)	(61,231,317.16)	(43,548,901.09)	(47,485,487.91)	(34,282,425.76)
Finance income – net	7(37)	11,564,491.22	19,661,969.75	8,343,027.60	19,233,024.37
Asset impairment losses	7(26)/7(38)	(272,116.22)	(142,665.94)	(272,116.22)	(142,665.94)
Investment income/(losses)	7(39)12(5)	354,171.80	(1,908,801.39)	106,444,864.42	(1,465,997.47)
Including: Share of income/(losses) of an associate and a joint-venture		354,171.80	(1,908,801.39)	684,374.05	(1,465,997.47)
Operating profit		81,387,713.57	189,447,242.45	119,919,524.60	151,286,909.96
Add: Non-operating income	7(40)	1,798,027.90	1,733,131.19	1,407,220.98	271,766.04
Less: Non-operating expenses	7(41)	(2,691,656.28)	(2,336,151.76)	(2,471,761.75)	(1,665,000.00)
Including: Losses on disposal of non-current assets		(547,550.96)	–	(547,550.96)	–
Total profit		80,494,085.19	188,844,221.88	118,854,983.83	149,893,676.00
Less: Income tax expenses	7(42)	(19,107,353.01)	(3,880,506.40)	(2,901,135.60)	(92,220.88)
Net profit		61,386,732.18	184,963,715.48	115,953,848.23	149,801,455.12
Attributable to					
Equity holders of the Company		61,312,175.07	185,301,545.43	115,953,848.23	149,801,455.12
Minority interests		74,557.11	(337,829.95)	–	–
Earnings per share					
Basic earnings per share	7(43)	0.028	0.084	0.053	0.068
Diluted earnings per share	7(43)	0.028	0.084	0.053	0.068
Other comprehensive income		–	–	–	–
Total comprehensive income		61,386,732.18	184,963,715.48	115,953,848.23	149,801,455.12
Attributable to					
Equity holders of the Company		61,312,175.07	185,301,545.43	115,953,848.23	149,801,455.12
Minority interests		74,557.11	(337,829.95)	–	–

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

Consolidated and Company Statements of Cash Flows (Unaudited)

For the Six Months Ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 2011 Consolidated (unaudited)	Six months ended 2010 Consolidated (unaudited)	Six months ended 2011 Company (unaudited)	Six months ended 2010 Company (unaudited)
1. Cash flows from operating activities					
Cash received from sales of goods		515,142,171.55	587,351,976.62	436,343,264.25	569,285,709.13
Cash received relating to other operating activities	7(44)(a)	69,536,776.97	36,617,440.07	71,746,226.69	28,508,660.68
Subtotal of cash inflows		584,678,948.52	623,969,416.69	508,089,490.94	597,794,369.81
Cash paid for goods and services		(630,640,420.48)	(320,472,142.44)	(580,070,312.61)	(400,303,591.87)
Cash paid to and on behalf of employees		(106,403,486.81)	(97,157,426.63)	(85,420,240.51)	(84,311,833.17)
Payments of taxes and surcharges		(51,323,285.89)	(64,247,069.69)	(20,926,189.34)	(44,577,221.20)
Cash paid relating to other operating activities	7(44)(b)	(23,365,557.10)	(12,595,892.16)	(40,276,064.67)	(34,546,976.65)
Subtotal of cash outflows		(811,732,750.28)	(494,472,530.92)	(726,692,807.13)	(563,739,622.89)
Net cash flows from operating activities		(227,053,801.76)	129,496,885.77	(218,603,316.19)	34,054,746.92
2. Cash flows from investing activities					
Cash prepaid for investment		(80,000,000.00)	–	(80,000,000.00)	–
Cash paid to set up subsidiaries		–	–	(110,000,000.00)	–
Cash paid to acquire property, plant and equipment and other intangible assets		(533,343,855.02)	(351,822,190.52)	(136,178,180.84)	(187,565,350.73)
Cash paid to dispose property, plant and equipment		(575,928.56)	–	(575,928.56)	–
Cash paid to increase capital of subsidiaries		–	–	(125,400,000.00)	–
Subtotal of cash outflows		(613,919,783.58)	(351,822,190.52)	(452,154,109.40)	(187,565,350.73)
Net cash flows from investing activities		(613,919,783.58)	(351,822,190.52)	(452,154,109.40)	(187,565,350.73)

Consolidated and Company Statements of Cash Flows (Unaudited)

For the Six Months Ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 2011 Consolidated (unaudited)	Six months ended 2010 Consolidated (unaudited)	Six months ended 2011 Company (unaudited)	Six months ended 2010 Company (unaudited)
3. Cash flows from financing activities					
Cash received from borrowings		310,000,000.00	-	110,000,000.00	-
Cash received from capital contributions		64,600,000.00	-	-	-
Including: Cash received from minority shareholders of subsidiaries		64,600,000.00	-	-	-
Subtotal of cash inflows		374,600,000.00	-	110,000,000.00	-
Cash paid for distribution of dividends or profits		-	(72,550,000.00)	-	(72,550,000.00)
Cash paid for interest expenses		(8,125.00)	-	-	-
Subtotal of cash outflows		(8,125.00)	(72,550,000.00)	-	(72,550,000.00)
Net cash flows from financing activities		374,591,875.00	(72,550,000.00)	110,000,000.00	(72,550,000.00)
4. Effect of foreign exchange rate changes on cash and cash equivalents		-	-	-	-
5. Net decrease in cash and cash equivalents	7(44)(d)	(466,381,710.34)	(294,875,304.75)	(560,757,425.59)	(226,060,603.81)
Add: Cash and cash equivalents at beginning of period	7(44)(d)	1,501,686,084.60	2,301,417,947.94	1,134,663,666.60	2,178,089,645.63
6. Cash and cash equivalent at end of period	7(44)(d)	1,035,304,374.26	2,006,542,643.19	573,906,241.01	1,952,029,041.82

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

Consolidated Statement of Changes in Owners' Equity (Unaudited)

For the Six Months Ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

	Attributable to equity holders of the Company						Minority interests	Total owners' equity
	Share capital (Note7(27))	Capital surplus (Note7(28))	Special reserve (Note7(29))	Surplus reserves (Note7(30))	Undistributed profits (Note7(31))	Subtotal		
Balance at 1 January 2010	552,500,000.00	4,254,754,857.49	-	166,293,671.26	265,795,703.70	5,239,344,232.45	46,103,449.43	5,285,447,681.88
Movements for the six months ended 30 June 2010								
Net profit	-	-	-	-	185,301,545.43	185,301,545.43	(637,829.95)	184,963,715.48
Profit distribution								
- Profit distribution to equity owners	-	-	-	-	(110,500,000.00)	(110,500,000.00)	-	(110,500,000.00)
Appropriation to safety fund reserve	-	-	2,958,893.90	-	-	2,958,893.90	-	2,958,893.90
Utilisation of safety fund reserve	-	-	(1,175,664.68)	-	-	(1,175,664.68)	-	(1,175,664.68)
Balance at 30 June 2010	552,500,000.00	4,254,754,857.49	1,783,229.22	166,293,671.26	340,597,249.13	5,315,929,007.10	45,765,619.48	5,361,694,626.58
Balance at 1 January 2011	552,500,000.00	4,254,754,857.49	-	194,806,549.58	476,994,280.77	5,479,055,687.84	216,060,426.83	5,695,116,114.67
Movements for the six months ended 30 June 2011								
Net profit	-	-	-	-	61,312,175.07	61,312,175.07	74,557.11	61,386,732.18
Profit distribution								
- Profit distribution to equity owners	-	-	-	-	(331,500,000.00)	(331,500,000.00)	-	(331,500,000.00)
Appropriation to safety fund reserve	-	-	3,919,996.03	-	-	3,919,996.03	-	3,919,996.03
Utilisation of safety fund reserve	-	-	(2,730,847.66)	-	-	(2,730,847.66)	-	(2,730,847.66)
Capital contribution by minority interests	-	-	-	-	-	-	64,600,000.00	64,600,000.00
Balance at 30 June 2011	552,500,000.00	4,254,754,857.49	1,189,148.37	194,806,549.58	206,806,455.84	5,210,057,011.28	280,734,963.94	5,490,791,995.22

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

Company Statement of Changes in Owners' Equity (Unaudited)

For the Six Months Ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

	Share capital (Note7(27))	Capital surplus (Note7(28))	Special reserve	Surplus reserves (Note7(30))	Undistributed profits	Total owners' equity
Balance at 1 January 2010	552,500,000.00	4,254,754,857.49	-	166,293,671.26	239,302,467.93	5,212,850,996.68
Movements for the six months ended 30 June 2010						
Net profit	-	-	-	-	149,801,455.12	149,801,455.12
Profit distribution						
– Profit distribution to equity owners	-	-	-	-	(110,500,000.00)	(110,500,000.00)
Appropriation to safety fund reserve	-	-	1,441,208.94	-	-	1,441,208.94
Utilisation of safety fund reserve	-	-	(1,129,464.68)	-	-	(1,129,464.68)
Balance at 30 June 2010	552,500,000.00	4,254,754,857.49	311,744.26	166,293,671.26	278,603,923.05	5,252,464,196.06
Balance at 1 January 2011	552,500,000.00	4,254,754,857.49	-	194,806,549.58	385,418,372.85	5,387,479,779.92
Movements for the six months ended 30 June 2011						
Net profit	-	-	-	-	115,953,848.23	115,953,848.23
Profit distribution						
– Profit distribution to equity owners	-	-	-	-	(331,500,000.00)	(331,500,000.00)
Appropriation to safety fund reserve	-	-	1,812,803.63	-	-	1,812,803.63
Utilisation of safety fund reserve	-	-	(960,828.93)	-	-	(960,828.93)
Balance at 30 June 2011	552,500,000.00	4,254,754,857.49	851,974.70	194,806,549.58	169,872,221.08	5,172,785,602.85

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

1 General information

Xinjiang Xinxin Mining Industry Co., Ltd (“the Company”) was established in Urumqi, Xinjiang Uygur Autonomous Region of China together by Xinjiang Nonferrous Metal (Group) Industry Co., Ltd (“Xinjiang Nonferrous Group”), Shanghai Yilian Mining and Energy Industry Co., Ltd. (“Shanghai Yilian”), Zhongjin Investment (Group) Co., Ltd (“Zhongjin Investment”), Xiamen Zijin Technology Co., Ltd (now changed the name to Zijin Mining Industry Group (Xiamen) Investment Co., Ltd, “Xiamen Zijin”), Xinjiang Xinying new material Co., Ltd. (“Xinjiang Xinying”) and Shaanxi Honghao industry Co., Ltd. (“Shaanxi Honghao”). Xinjiang Nonferrous Metal (Group) is the holding company. The Company is established with the total equity of RMB300,000,000.00 divided into 300,000,000 shares of RMB1 each.

On May 19, 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 Nonferrous Group injected it's land use rights of Kalatongke Mine and Fukang Refinery as increased capital. Shanghai Yilian, Zhongjin Investment, Xiamen Zijin, Xinjiang Xinying and Shaanxi Honghao and other shareholders 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 were converted into an equivalent number of H shares and transferred to the National Council for Social Security Fund of the PRC. Total capital increased to RMB552,500,000.00 after this issue.

The Company and its subsidiaries (together “the Group”) are principally engaged in the mining, ore processing, smelting, refining 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 22 August 2011.

2 Basis of preparation

The financial statements have been prepared according to the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as “the Accounting Standard for Business Enterprises” or “CAS”).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2011 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position as of 31 December 2010 and the operating results, cash flows and other information for the period then ended of the Group and the Company.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting period

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

(2) Recording currency

The recording currency is Renminbi (RMB).

(3) Recording property

The historical cost is generally used unless otherwise specially states.

(4) Foreign currency translation

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 at the balance sheet date 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.

(5) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, call deposits with banks 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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(6) Financial assets

(a) Classification

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets.

(b) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. The transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets are measured at amortised cost using the effective interest method °

(c) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group shall determine the amount of impairment loss (Note4(7)).

(d) Derecognition of financial assets

A financial assets shall be derecognised when: (a) the contractual rights to receive the cash flows from the financial asset expire; (b) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (c) 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 assets.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received and the cumulative changes in fair value that had been recognised directly in equity, shall be recognised in profit or loss.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(7) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) *Receivables that are individually significant and not impaired*

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established.

The amount of the present value of the future cash flows expected to be derived from the receivable below the carrying amount shall be accounted for as bad debt provision.

(b) *Receivables that are combined into certain groups and subject to provision by groups*

Receivables that are not individually significant and those receivables that have been individually evaluated for impairment and have been found not impaired are combined into certain groups based on their credit risk characteristics. The impairment losses are determined based on the historical loss experience for the groups of receivables with the similar credit risk characteristics and taking into consideration of the current circumstances.

Ratios used in the ageing analysis method amongst aforesaid groups are as follows:

	Ratios used for impairment provision on accounts receivable
Within 1 year	0%~5%
1 to 2 years	25%~30%
2 to 3 years	60%
3 to 4 years	100%
4 to 5 years	100%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(7) Receivables (continued)

(c) Accounts receivable that are not individually significant but not impaired:

The basis for separate provision is that there is objective evidence that the Group will not be able to collect the full amount under the original terms.

The provision for bad debts is determined based on the amount of the present value of the future cash flows expected to be derived from the asset below the carrying amount.

(d) When the Group transfers the accounts receivable to financial institutions without recourse, the net amount of proceeds received from the transaction after the carrying amounts of the accounts receivable and related taxes is recognized in profit or loss for the current period.

(8) Inventories

(a) Classification

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

(b) Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of all production overhead expenditures incurred that is systematically determined based on the normal production capacity

(c) Basis for the determination of the net realisable value and provisions for declines in the value of inventory

Provisions for declines in the value of inventories are determined at the excess amount of the carrying value of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(9) 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 jointly controlled entities and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured

Subsidiaries are the investees over which the Company is able to exercise control. Jointly controlled entities are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in jointly controlled entities and associates are accounted for using the equity method. Other long-term equity investments, where the Group does not have control, joint control or significant influence over the investee and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Determination of investment cost

Long-term equity investments accounted for using the cost method are measured at the initial investment costs. For long-term equity investments accounted for using the equity method, in the case that the initial investment cost of a long-term equity investment exceeds the investor's share of the fair value of the investee entity's identifiable net assets at the time of acquisition, long-term equity investment is measured at the initial investment cost; in the case that the initial investment cost is less than the investor's share of the fair value of the investee entity's identifiable net assets at the time of acquisition, the difference shall be included in profit or loss and the cost of the long-term equity investment shall be adjusted accordingly.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(9) Long-term equity investments (continued)

(b) Subsequent measurement

For long-term equity investments accounted for using the cost method, investment income is recognised in profit or loss for the cash dividends or profit distribution declared by the investees.

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, 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 which the investment gain or losses are recognised. The loss on the intra-group transaction amongst the Group and its investees, of which the nature is asset impairment, is recognised in full, and the related unrealised loss is not eliminated.

(c) Basis for determination of the power to control, jointly control or significant influence over the investee entity

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee entity, the effect of potential voting rights of the investee entity shall be considered, such as convertible debts and warrants currently exercisable.

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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(9) Long-term equity investments (continued)

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, jointly controlled entities and associates shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(16)). For other long-term equity investments which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets shall be recognised as impairment loss and cannot be reversed once recognised.

(10) Property, plant and equipment

(a) Recognition and initial measurement of property, plant and equipment

Property, plant and equipment comprise buildings, mining structures, machinery, electronic and office equipment, motor vehicles and other equipment.

Property, plant and equipment are recognised only if it is probable that economic benefits will flow to the Group and the costs can be reliably measured. Property, plant and equipment purchased or constructed by the Group are initially measured at cost at the time of acquisition. The property, plant and equipment contributed by state-owned shareholders during the incorporation of the Company are recorded based on the revaluation amount approved by state-owned assets administration department.

Subsequent expenditures incurred for a property, plant and equipment are included in the cost of the property, plant and equipment 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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(10) Property, plant and equipment (continued)

(b) Depreciation methods of property, plant and equipment

Property, plant and equipment 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 property, plant and equipment 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 useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows :

Category	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10-50 ears	3% or 5%	1.94%-9.5%
Machinery	5-18 years	3% or 5%	5.39%-19.0%
Electronic and office equipment	3-12 years	3% or 5%	8.08%-31.67%
Motor vehicles	4-12 years	3% or 5%	8.08%-23.75%

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 property, plant and equipment 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 property, plant and equipment shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4 (16)).

(d) Disposal of property, plant and equipment

A property, plant and equipment 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 property, plant and equipment net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(11) 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 property, plant and equipment ready for their intended use. Construction in progress is transferred to property, plant and equipment 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 4(16)).

(12) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a property, plant and equipment 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 property, plant and equipment is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

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

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

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(13) Intangible assets

Intangible assets mainly include mining rights and land use rights, and are measured at cost.

(a) Mining rights

Mining rights are recorded at actual acquisition cost. Amortisation of mining rights is calculated to write off the cost less accumulated impairment of losses over the shorter of the period of the rights on a straight-line basis or of the useful lives of the mines in accordance with the production plans and reserves of the mines on the unit-of-production method.

(b) Land use rights

Land use rights which the share holders invest are stated at the value recognized by all the share holders. Purchased land use rights are stated at actual cost. Land use rights are amortised on the straight-line basis over their approved useful period.

(c) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

(d) 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 4(16)).

(14) 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.

(15) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to property, plant and equipment under operating leases, and other expenditures that have been made 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.

Notes to Financial Statements (Unaudited)

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(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(16) Impairment of long-term assets

Property, plant and equipment, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model 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. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

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

(17) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees. The full-time employees of the Group are covered by various government-sponsored defined-contribution social insurance plans including pension insurances, medical insurance, housing funds, unemployment insurance and other insurances. According to related regulations, The Group contributes to these pension plans based on certain percentages of average salaries of last year, and submit it to the government agencies.

Notes to Financial Statements (Unaudited)

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4 Summary of significant accounting policies and accounting estimates (continued)

(17) Employee benefits (continued)

Employee benefits are 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.

The Group operates a cash-settled share appreciation rights plan. The related cost of services received from the employees and the liability to pay for such services are measured at fair value and recognised over the vesting period as the employees render services. Fair value is established at the grant date, re-measured at each reporting date with any changes in fair value recognised in profit or loss for the period and derecognised until the liability is settled.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights granted, excluding the impact of any non-market vesting conditions. Non-market conditions are included in the assumptions about the number of rights that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of rights that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to liability.

(18) Provisions

Present liabilities arises from closure of tail mine and environmental restoration. Provisions 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.

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.

Notes to Financial Statements (Unaudited)

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4 Summary of significant accounting policies and accounting estimates

(continued)

(19) 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.

(20) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates, discounts and returns.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(20) Revenue recognition (continued)

(a) Sale of goods

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

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(21) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating leases payments are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of respective leases.

(22) Exploration and evaluation expenditure

Exploration and evaluation expenditure includes the costs incurred in the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to property, plant and equipment if the project proceeds.

If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the consolidated statement of comprehensive income.

Notes to Financial Statements (Unaudited)

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(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(23) Government grants

Government grants are transfers of monetary or non-monetary assets obtained by the Group from the government at nil consideration, including refund of taxes, relocation compensation and financial subsidies, etc.

A government grant shall be recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value; if the fair value is not reliably determinable, the grant is measured at nominal amount.

A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Grants measured at nominal amounts are recognised immediately in profit or loss for the current period.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the enterprise in the subsequent periods, the grant shall be recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the enterprise, the grant shall be recognised immediately in profit or loss for the current period.

(24) Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders at the Annual General Meeting.

(25) Business combinations involving enterprises 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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(26) Preparation of consolidated financial statements

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

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

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination 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 inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profits respectively. Subsidiary minority shareholders' share of current losses over the minority shareholders in the subsidiary exceed the owners' rights enjoyed by the share, its balance offsets the number of shareholders' equity.

(27) 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, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(28) 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. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs.

(29) Critical accounting estimates and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Carrying value of non-current assets

The Group tests whether property, plant and equipment, land use rights and mining rights have been impaired due to events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount, in accordance with accounting policies stated in Note 4.16 to the financial statements.

As at 30 June 2011, there was no impairment indication noted for property, plant and equipment, land use rights and mining rights. Had impairment test been performed, the recoverable amounts of different cash generating units to which the property, plant and equipment, land use rights and mining rights belong, would have been determined based on value-in-use calculations using cash flow projections, which would have been compiled based on financial budgets approved by senior management covering a five-year period and management's assumptions and estimates including forecast of selling price of nickel and copper, discount rates and inflation rate.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and assumptions (continued)

(b) Goodwill impairment assessment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

As at 30 June 2011, 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 covering a five-year period and management's assumptions and estimates including forecast of selling price of nickel and copper, discount rates and inflation rate. Cash flows beyond the five-year period are assumed to be equal to that of 2015. The discount rates used in cash flow projections varied with different cash generating units.

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment 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 charges where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and assumptions (continued)

(d) 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 estimated mineral reserve quantity (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.

(e) Income tax

The Group is subject to corporate income tax in the PRC. Significant judgement is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. 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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates (continued)

(29) Critical accounting estimates and assumptions (continued)

(f) Estimate of share appreciation rights

In relation to the cash-settled share appreciation rights granted to the employees, the Group's liability to settle is re-measured at fair value at each balance sheet date with reference to the historical market price trend of the Company's H shares and the forecast of the Group's profitability up to 2011. Where the outcome is different from the original estimate, such differences will impact the Group's profit or loss and liability to settle in the period in which such differences have been occurred.

5 Taxation

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

Type	Tax rate	Taxable base
Corporate income tax	25% (note 1)	Taxable income
Value-added tax ("VAT")	17% (note 2)	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current period)
Resources tax	RMB6 Yuan per ton or RMB7.6 per ton (note 3)	Amount of ore output during the current month
Mineral resources compensation fee	Tax standards determined by local land and resource bureau (note 4)	Actual sales revenue of copper and nickel, after adjusting rate of recovery

(1) Corporate income tax

The National People's Congress passed the "PRC Corporate Income Tax Law (the "New Income Tax Law") on 16 March 2007. The New Income Tax Law came into force since 1 January 2008. The Group's applicable corporate income tax rate has been adjusted from 33% to 25% since 1 January 2008.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

5 Taxation (continued)

(1) Corporate income tax (continued)

The Group tax rate and official approvals:

- (a) The Company, except for its Shanghai branch, was exempted from corporate income tax from 2007 to 2010 pursuant to an approval obtained from the Xinjiang Uygur Autonomous Region Government. As the old preferential tax policies expired in 2010 and the new preferential tax policies for the Region are yet to be released, the Company recognizes income tax at the rate of 25% for the six months ended 30 June 2011.
- (b) The applicable income tax rate of Shanghai branch is 25% (2010: 25%).
- (c) The subsidiary, Mengxi Mining industry Co. Ltd. (hereafter “Mengxi Mining”), is subject to corporate income tax rate of 25% (2010: 25%).
- (d) The subsidiary, Xinjiang Yakesi Resource Development Co.Ltd. (hereafter “Xinjiang Yakesi”), was subject to corporate income tax based on a reduced tax rate of 15% from 2005 to 2010 pursuant to an approval obtained from local tax bureau of Hami, Xinjiang Uygur Autonomous Region. The preferential tax policies for western enterprises were issued on 27 July 2011 and the specific regulations are yet to be released. Xinjiang Yakesi temporarily calculates income tax expense using the preferential rate of 15% as notified by the local tax bureau of Hami for the six months ended 30 June 2011.
- (e) The subsidiary, Hami Jubao Resource Development Co. Ltd. (hereafter “Hami Jubao”), was subject to corporate income tax based on a reduced rate of 7.5% from 2009 to 2010 pursuant to an approval obtained from local tax bureau of Hami, Xinjiang Uygur Autonomous Region. The preferential tax policies for western enterprises were issued on 27 July 2011 and the specific regulations are yet to be released. Hami Jubao temporarily calculates income tax expense using the preferential rate of 7.5% as notified by the local tax bureau of Hami for the six months ended 30 June 2011.
- (f) The subsidiary, Zhongxin Mining Industry Co. Ltd. (hereafter “Zhongxin Mining”), is subject to corporate income tax rate of 25% (2010: 25%).
- (g) The subsidiary, Wuxin Copper Mining Co. Ltd. (hereafter “Wuxin Copper Mining”), is subject to corporate income tax rate of 25% (2010: 25%).
- (h) The subsidiary, Xinjiang Kalatongke Mining industry Co. Ltd. (hereafter “Kalatongke Mining”), is subject to corporate income tax rate of 25%.
- (i) The subsidiary, Xinjiang Xinding Shunze High-tech Co. Ltd. (hereafter “Beijing Xinding”), is subject to corporate income tax rate of 25%.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

5 Taxation (continued)

(2) Value-added tax

Group's main product sales are subject to VAT of 17%.

For the purchase of raw materials, fuel, power, and equipment input VAT can deduct output VAT. Tax value added amount is calculated using the taxable sales amount multiplied by the rate of 17% less deductible VAT input of current period.

(3) Resources Tax

Pursuant to "Notification of Financial Department of Xinjiang Autonomous Region and Regional Tax Bureau of Xinjiang Autonomous Region about adjusting local copper and nickel ore resources tax rate", the Company pays resources tax of RMB7.6 per ton based on ore production in current month, and Xinjiang Yakesi and Hami Jubao pay RMB6 per ton.

(4) Mineral resources compensation fee

Kalatongke Mining, a branch of the Company, pays mineral resources compensation fee based on the following formula:

$$\text{Mineral resources compensation fee} = \text{self-produced nickel in super high grade ore and mixed concentrate volume} \times \text{unit selling price} \times (1+5.72\%) \times \text{pricing factor} \times 2\% \times \text{recovery rate} + \text{self-produced copper in super high grade ore and mixed concentrate volume} \times \text{unit selling price} \times \text{pricing factor} \times 2\% \times \text{recovery rate}$$

Based on the regulations issued by Aletai Land and Resources Bureau in Xinjiang Autonomous Region, pricing factor of nickel and copper is 70% and 60% respectively.

Xinjiang Yakesi and Hami Jubao pay mineral resources compensation fee based on the following formula:

$$\text{Mineral resources compensation fee} = \text{sales revenue of nickel and copper concentrate} \times 2\% \times \text{recovery rate}$$

Notes to Financial Statements (Unaudited)

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(All amounts in RMB Yuan unless otherwise stated)

6 Business combination and consolidated financial statements (continued)

Subsidiaries (continued)

(b) Subsidiaries acquired through business combination involving enterprises not under common control

Type	Wholly-owned	Hami, the PRC	Place of registration '000	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Xinjiang Yakesi	Wholly-owned	Hami, the PRC	RMB500,000,000.00	Copper and nickel exploration, processing and sales	Limited company	Guo Quan	71296966-1	
Hami Jubao	Wholly-owned	Hami, the PRC	RMB5,000,000.00	Copper and nickel exploration, processing and sales	Limited company	Guo Quan	71077102-9	
Zhongxin Mining	Controlled	Hami, the PRC	RMB120,000,000.00	Ore products smelting and sales	Limited company	Guo Quan	78465134-5	

	Ending balance of other items which forms		Ending balance of other items which forms		Amount of minority interest charged by minority interests in the profit or loss
	Ending balance of actual contribution	% of equity interests held by the Group	% of equity interests held by the Group	Consolidated or not	
Xinjiang Yakesi	RMB500,000,000.00	100%	100%	Yes	-
Hami Jubao	RMB5,000,000.00	100%	100%	Yes	-
Zhongxin Mining	RMB120,000,000.00	97.58%	97.58%	Yes	RMB2,947,493.24
					RMB328,268.38

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

6 Business combination and consolidated financial statements (continued)

Subsidiaries (continued)

(c) Entities newly included in the scope of consolidation for the six months ended 30 June 2011

	Net assets as at 30 June 2011	Net profit for the six months ended 30 June 2011
Kalatongke Mining (i)	10,000,000.00	—
Beijing Xinding (ii)	100,000,000.00	—

(i) Kalatongke Mining is a subsidiary newly set up by the Company in 2011. The paid-in capital is RMB10,000,000.00 injected by the Company in cash. On 18 April 2011, BDO China Li Xin Da Hua Certified Public Accountants Co., Ltd. Xinjiang Branch issued the capital verification report (Li Xin Da Hua (Xin) Shenzi [2011] No.004). On 20 May 2011, the Company obtained the business license.

(ii) Beijing Xinding is a subsidiary newly set up by the Company in 2011. The paid-in capital is RMB100,000,000.00 injected by the Company in cash. On 16 June 2011, BDO China Li Xin Da Hua Certified Public Accountants Co., Ltd issued the capital verification report (Li Xin Da Hua Shenzi [2011] No.048). On 1 July 2011, the Company obtained the business license.

7 Notes to the consolidated financial statements

(1) Cash and bank balances

	As at 30 June 2011	As at 31 December 2010
Cash on hand	18,897.05	10,317.43
Cash at bank	1,035,285,477.21	1,501,675,767.17
Restricted cash at banks (Note (i))	23,005,766.13	44,171,588.66
	1,058,310,140.39	1,545,857,673.26

(i) Included in the restricted cash at banks, approximately RMB14,696,162.80 was set aside as the security for issuing bank notes by the banks (31 December 2010: RMB36,343,647.00), and pursuant to the relevant rules and regulations issued by the government authorities, approximately 8,309,603.33 was set aside as guarantee deposits for environmental recovery and safety of production (31 December 2010: RMB7,827,941.66).

(2) Notes receivable

	As at 30 June 2011	As at 31 December 2010
Bank acceptance notes	143,737,380.24	2,408,098.00

(3) Interest receivable

	As at 30 June 2011	As at 31 December 2010
Interest on bank deposits	1,191,112.95	3,438,911.24

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(4) Accounts receivable

	As at 30 June 2011	As at 31 December 2010
Accounts receivable	112,332,851.58	165,752,898.81
Less: provision for bad debts	(2,992,506.61)	(2,720,390.39)
	109,340,344.97	163,032,508.42

Note: The credit period of trade receivable is generally from 1 to 3 months.

(a) The ageing of accounts receivable is analysed below:

	As at 30 June 2011			As at 31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
With 1 year	108,967,169.98	97.00%	(9,647.73)	162,363,403.61	97.96%	(51,670.06)
1 to 2 years	315,190.82	0.28%	(94,557.25)	840,563.12	0.51%	(249,528.94)
2 to 3 years	501,558.70	0.45%	(339,369.55)	324,351.70	0.20%	(194,611.01)
3 to 4 years	324,351.70	0.29%	(324,351.70)	-	-	-
Over 5 years	2,224,580.38	1.98%	(2,224,580.38)	2,224,580.38	1.33%	(2,224,580.38)
	112,332,851.58	100%	(2,992,506.61)	165,752,898.81	100%	(2,720,390.39)

(b) Accounts receivable by categories are analysed as follows:

	As at 30 June 2011				As at 31 December 2010			
	Ending balance Amount	% of total balance	Provision for bad debts Amount	Provision ratio	Ending balance Amount	% of total balance	Provision for bad debts Amount	Provision ratio
Individually significant	101,404,649.90	90.27%	-	-	151,991,953.31	91.70%	-	-
Individually insignificant	10,928,201.68	9.73%	(2,992,506.61)	100%	13,760,945.50	8.30%	(2,720,390.39)	100%
	112,332,851.58	100%	(2,992,506.61)	100%	165,752,898.81	100%	(2,720,390.39)	100%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(4) Accounts receivable (continued)

- (c) As at 30 June 2010, accounts receivable that are individually significant and not impaired are analysed as follows:

	Carrying amount
Jiuquan Iron and Steel Group Tianfeng Stainless Co., Ltd.	98,358,291.40
Shenyang Chengtong Metal Co., Ltd.	3,046,358.50
	101,404,649.90

As at 30 June 2010, because of the good reputation and debt paying ability, no provision was provided for the receivables of RMB98,358,291.40 (31 December 2010: RMB38,369,146.03) due from Jiuquan Iron and Steel Group Tianfeng Stainless Co., Ltd. In July 2011, the Group received cash of RMB79,083,665.40 and bank acceptance notes of RMB800,000 from Jiuquan Iron and Steel Group Tianfeng Stainless Co., Ltd. for settlement of accounts receivable.

As at 30 June 2010, because of the good reputation and long-term corporation relationship, no provision was provided for the receivables of RMB3,046,358.50 (31 December 2010: Nil) due from Shenyang Chengtong Metal Co., Ltd.

- (d) The group of accounts receivable using ageing analysis method for impairment are analysed as follows:

	As at 30 June 2011				As at 31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Within 1 year	7,562,520.08	69.20%	(9,647.73)	0.13%	10,371,450.30	75.37%	(51,670.06)	0.50%
1 to 2 years	315,190.82	2.88%	(94,557.25)	30.00%	840,563.12	6.11%	(249,528.94)	29.69%
2 to 3 years	501,558.70	4.59%	(339,369.55)	67.66%	324,351.70	2.36%	(194,611.01)	60.00%
3 to 4 years	324,351.70	2.97%	(324,351.70)	100%	-	-	-	-
Over 5 years	2,224,580.38	20.36%	(2,224,580.38)	100%	2,224,580.38	16.16%	(2,224,580.38)	100%
	10,928,201.68	100%	(2,992,506.61)		13,760,945.50	100%	(2,720,390.39)	

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(4) Accounts receivable (continued)

(e) As at 30 June 2011, there are no accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights in the Company (2010: Nil).

(f) Accounts receivable from related parties are analysed as follows:

	As at 30 June 2011			As at 31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Fuyun Hengsheng Beryllium Industry Co., Ltd	1,255,416.10	1.12%	(330,472.15)	1,255,416.10	0.76%	(184,453.23)
Xinjiang Haoxin Lithia Developing Co., Ltd.	324,351.70	0.29%	(324,351.70)	324,351.70	0.20%	(194,611.02)
Fukang Non-ferrous Metal Industrial Materials (Group) Co., Ltd	-	-	-	86,773.60	0.05%	(8,092.08)
	1,579,767.80	1.41%	(654,823.85)	1,666,541.40	1.01%	(387,156.33)

(g) As at 30 June 2011, the top five accounts receivable balances are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Jiuquan Iron and Steel Group Tianfeng Stainless Co., Ltd.	Third party	98,358,291.40	Within 1 year	87.56%
Shenyang Chengtong Metal Co., Ltd.	Third party	3,046,358.50	Within 1 year	2.71%
Shanghai CIMIC welding material limited company	Third party	2,820,464.92	Within 1 year	2.51%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Associate	1,255,416.10	1 to 2 years	1.12%
Jiuquan Iron and Steel Group Co., Ltd.	Third party	622,807.31	Within 1 year	0.55%
		106,103,338.23		94.45%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(5) Other receivables

	As at 30 June 2011	As at 31 December 2010
Recoverable VAT	48,121,866.55	36,203,887.27
Amount due from an associate (Note(i))	7,047,810.01	7,047,810.01
Amount due from a joint-venture	2,655,000.00	52,655,000.00
Cash advances	1,663,315.20	1,117,658.10
Others	3,036,574.36	649,427.17
	62,524,566.12	97,673,782.55
Less: provision for bad debts	(710,734.80)	(710,734.80)
	61,813,831.32	96,963,047.75

(i) According to the contract signed by Yakesi and Tibet Puxiong Mining Co., Ltd. (hereafter "Puxiong Mining"), Yakesi provided a loan of RMB7,000,000.00 to Puxiong Mining. The loan is guaranteed by the holding company, Gansu Seemine Material High-tech Co., Ltd., of Puxiong Mining, bearing interest at a rate of 5.31% per annum and repayable on demand.

(a) The ageing and provision for bad debts of other receivables are analysed below:

	As at 30 June 2011			As at 31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	55,229,056.62	88.33%	-	40,286,861.19	41.25%	-
1 to 2 years	42,831.26	0.07%	-	50,135,927.12	51.33%	-
2 to 3 years	49,494.01	0.08%	-	47,810.01	0.05%	-
3 to 4 years	5,006,275.21	8.01%	-	5,179,430.05	5.30%	-
4 to 5 years	2,196,909.02	3.51%	(710,734.80)	2,023,754.18	2.07%	(710,734.80)
	62,524,566.12	100%	(710,734.80)	97,673,782.55	100%	(710,734.80)

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(5) Other receivables (continued)

(b) Other receivables by categories are analysed as follows:

	As at 30 June 2011				As at 31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Provision		% of total		Provision	
	Amount	balance	Amount	ratio	Amount	balance	Amount	ratio
Individually significant	48,121,866.55	76.96%	-	-	88,858,887.27	90.98%	-	0.00%
Individually insignificant	14,402,699.57	23.04%	(710,734.80)	4.93%	8,814,895.28	9.02%	(710,734.80)	8.06%
	62,524,566.12	100%	(710,734.80)		97,673,782.55	100%	(710,734.80)	

(c) As at 30 June 2010, other receivables that are individually significant but not impaired are analysed as follows:

	Carrying amount
Recoverable VAT	48,121,866.55

(d) The groups of other receivables used ageing analysis method is analysed as follow:

	As at 30 June 2011				As at 31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Provision		% of total		Provision	
	Amount	balance	Amount	ratio	Amount	balance	Amount	ratio
Within 1 year	7,107,190.07	49.35%	-	-	1,427,973.92	16.20%	-	-
1 to 2 years	42,831.26	0.30%	-	-	135,927.12	1.54%	-	-
2 to 3 years	49,494.01	0.34%	-	-	47,810.01	0.54%	-	-
3 to 4 years	5,006,275.21	34.76%	-	-	5,179,430.05	58.76%	-	-
4 to 5 years	2,196,909.02	15.25%	(710,734.80)	23.25%	2,023,754.18	22.96%	(710,734.80)	35.12%
	14,402,699.57	100%	(710,734.80)		8,814,895.28	100%	(710,734.80)	

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(5) Other receivables (continued)

(e) As at 30 June 2011, there are no other receivables from shareholders who held more than 5% (including 5%) of the voting rights in the Company (2010: Nil).

(f) As at 30 June 2010, the top five of other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Recoverable VAT	Third party	48,121,866.55	Within 1 year	76.96%
Puxiong Mining	Associate	7,047,810.01	Over 3 years	11.27%
Hexin Mining	Joint-venture	2,655,000.00	Within 1 year	4.25%
Claim receivable	Third party	550,000.00	Within 1 year	0.88%
Land and Resources Bureau of Fuyun County	Third party	100,000.00	Over 3 years	0.16%
		58,474,676.56		93.52%

(g) Other receivables from related parties are analysed as follows:

Relationship with the Group	As at 30 June 2011			As at 31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Hexin Mining	2,655,000.00	4.25%	-	52,655,000.00	53.91%	-
Puxiong Mining	7,047,810.01	11.27%	(704,459.59)	7,047,810.01	7.22%	(704,459.59)
	9,702,810.01	15.52%	(704,459.59)	59,702,810.01	61.13%	(704,459.59)

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(6) Advances to suppliers

(a) The ageing of advances to suppliers is analysed below:

	As at 30 June 2011		As at 31 December 2010	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	103,539,000.86	97.46%	23,184,188.17	79.40%
1 to 2 years	2,470,098.30	2.33%	5,777,908.50	19.79%
2 to 3 years	1,877.50	0.01%	68,640.28	0.24%
Over 3 years	225,536.96	0.20%	170,166.68	0.57%
	106,236,513.62	100%	29,200,903.63	100%

As at 30 June 2011, advances to suppliers aged over one year amounted to RMB2,697,512.76 (31 December 2010: RMB6,016,715.46), which were outstanding due to the fact that the underlying transactions were not closed.

(b) As at 30 June 2010, the top five of advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	% of total balance	Recognition date
Xinjiang Xianglun Mining Co., Ltd.	Third party	39,106,998.14	36.81%	2011
Xi'an Yitepu International Trade Co., Ltd.	Third party	12,965,514.52	12.20%	2011
Hami Jing'Erquan Mining Co., Ltd.	Third party	10,000,000.00	9.41%	2011
CITIC Heavy Machinery Co., Ltd.	Third party	4,627,000.00	4.36%	2011
Xinjiang Huiyou Group Co., Ltd.	Third party	3,275,671.95	3.08%	2011
		69,975,184.61	65.86%	

(c) As at 30 June 2011, there were no advances to shareholders who held more than 5% (including 5%) of the voting rights in the Company (2010: Nil).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(6) Advances to suppliers (continued)

(d) Advances to related parties are analysed as follows:

	As at 30 June 2011			As at 31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	683,805.38	0.64%	-	68,229.55	0.23%	-
Xinjiang Non-ferrous Metal Industry (Group) Materials Co., Ltd.	95,806.80	0.09%	-	-	-	-
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.bv	-	-	-	448,410.62	1.54%	-
Fukang Non-ferrous Development Co., Ltd.	-	-	-	19,455.50	0.07%	-
	779,612.18	0.73%	-	536,095.67	1.84%	-

(7) Inventories

(a) Classification of inventories is as follow:

	As at 30 June 2011			As at 31 December 2010		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	198,286,869.50	(543,427.80)	197,743,441.70	112,274,192.99	(543,427.80)	111,730,765.19
Work in progress	90,937,063.86	-	90,937,063.86	48,361,386.30	-	48,361,386.30
Semi-finished goods	258,278,247.36	-	258,278,247.36	228,944,589.41	-	228,944,589.41
Finished goods	158,286,701.29	-	158,286,701.29	58,948,823.65	-	58,948,823.65
	705,788,882.01	(543,427.80)	705,245,454.21	448,528,992.35	(543,427.80)	447,985,564.55

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
 (All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(7) Inventories (continued)

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

	As at 31 December 2010	Current period additions	Reversal/ write-off	As at 30 June 2011
Raw materials	(543,427.80)	–	–	(543,427.80)

(8) Long-term equity investments

	As at 30 June 2011	As at 31 December 2010
Joint-venture (a)	142,449,759.58	141,765,385.53
Associate (b)	4,325,986.49	4,656,188.74
Less: Provision for impairment of long-term equity investments	–	–
	146,775,746.07	146,421,574.27

There is no limitation on realisation of the long-term equity investments held by the Group.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(8) Long-term equity investments (continued)

(a) Joint-venture

	Accounting treatment	Investment cost	As at 31 December 2010	Share of profit or loss	30 June 2011	Equity interest held	Voting rights held
Hexin Mining	Equity method	145,326,500.00	141,765,385.53	684,374.05	142,449,759.58	50%	50%

(b) Associate

	Accounting treatment	Investment cost	As at 31 December 2010	Share of profit or loss	30 June 2011	Equity interest held	Voting rights held
Puxiong Mining	Equity method	13,000,000.00	4,656,188.74	(330,202.25)	4,325,986.49	30%	30%

(c) Investments in Joint-venture and associate

	Equity interests held	Voting rights held	As at 30 June 2011		Six months ended 30 June 2011		
			Total assets	Total liabilities	Revenue	Net profit/(loss)	
Joint-venture - Hexin Mining	50%	50%	503,235,694.98	295,445,436.35	207,790,258.63	52,839,719.21	1,368,748.10
Associates - Puxiong Mining	30%	30%	49,806,419.89	35,386,464.92	14,419,954.97	4,261,229.23	(1,100,674.15)

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(9) Property, plant and equipment

	Building	Mining structure	Machinery and equipment	Electronic equipment and others	Motor vehicles	Total
Cost						
31 December 2010	418,952,323.54	132,155,909.40	469,923,049.11	17,773,904.26	44,950,240.27	1,083,755,426.58
Transfer-in from construction in progress	205,196,642.53	-	412,269,768.91	9,516.57	-	617,475,928.01
Additions	1,375,694.41	41,250.00	8,528,452.52	1,555,778.77	3,948,734.84	15,449,910.54
Disposals	-	-	(1,146,571.41)	-	(258,124.00)	(1,404,695.41)
30 June 2011	625,524,660.48	132,197,159.40	889,574,699.13	19,339,199.60	48,640,851.11	1,715,276,569.72
Accumulated depreciation						
31 December 2010	176,675,651.92	55,887,025.19	170,431,172.81	8,172,427.96	17,601,787.02	428,768,064.90
Additions	9,177,438.82	4,967,246.05	19,373,037.48	1,305,376.92	2,133,141.52	36,956,240.79
Disposals	-	-	(987,103.34)	-	(93,892.50)	(1,080,995.84)
30 June 2011	185,853,090.74	60,854,271.24	188,817,106.95	9,477,804.88	19,641,036.04	464,643,309.85
Net book value						
30 June 2011	439,671,569.74	71,342,888.16	700,757,592.18	9,861,394.72	28,999,815.07	1,250,633,259.87
31 December 2010	242,276,671.62	76,268,884.21	299,491,876.30	9,601,476.30	27,348,453.25	654,987,361.68

As at 30 June 2011, none of the property, plant and equipment were pledged as collateral for borrowings (31 December 2010: Nil).

For the six months ended 30 June 2011, depreciation expense of property, plant and equipment amounted to RMB36,956,240.79 (six months ended 30 June 2010: RMB28,218,218.18) in total, of which RMB29,681,019.25 was recorded in cost of sales, RMB5,398,992.17 was recorded in general and administrative expense, RMB18,381.54 was recorded in selling expense, and RMB1,857,847.83 was recorded in construction in progress (six months ended 30 June 2010: RMB25,067,534.98, RMB3,026,099.62, RMB94,803.63, and RMB29,779.95 respectively).

The costs of property, plant and equipment transferred from construction in progress amounted to RMB617,475,928.01 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB480,625.03).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(9) Property, plant and equipment (continued)

(a) Temporarily idle property, plant and equipment

	Cost	Accumulated depreciation	Net book value
Buildings	35,554,176.16	(28,819,157.25)	6,735,018.91
Machinery and equipment	41,732,480.66	(31,183,102.69)	10,549,377.97
Electronic equipment and others	219,510.52	(84,097.95)	135,412.57
	77,506,167.34	(60,086,357.89)	17,419,809.45

As at 30 June 2011, the buildings, machinery and equipment, electronic equipment and others with net book value of RMB17,419,809.45 (cost of RMB77,506,167.34) were temporarily idle due to renovation of production process (31 December 2010: RMB26,893,503.98 (cost RMB97,662,123.79)).

(10) Construction materials

	As at 31 December 2010	Additions	Reductions	As at 30 June 2011
Construction materials	13,022,260.22	7,978,977.66	3,475,140.57	17,526,097.31

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(11) Construction in progress

	As at 30 June 2011			As at 31 December 2010		
	Ending balance	Provision for impairment	Carrying amount	Ending balance	Provision for impairment	Carrying amount
Kalatongke Mining						
Nickel smelting project	-	-	-	484,216,804.14	-	484,216,804.14
Nickel mining and ore processing project	435,434,744.40	-	435,434,744.40	432,545,842.41	-	432,545,842.41
Excavation project	217,683,913.09	-	217,683,913.09	185,334,689.02	-	185,334,689.02
Mine exploration project	35,836,375.67	-	35,836,375.67	35,571,606.09	-	35,571,606.09
Other constructions in progress for production	46,347,995.14	-	46,347,995.14	44,895,239.43	-	44,895,239.43
Fukang Refinery						
Copper refining project	235,019,363.14	-	235,019,363.14	204,988,863.91	-	204,988,863.91
Mengxi Mining						
Copper exploration in Sangdewulan Area	13,967,900.00	-	13,967,900.00	11,000,000.00	-	11,000,000.00
Xinjiang Yakesi						
Mining project of Huangshan	436,280,328.85	-	436,280,328.85	387,810,312.57	-	387,810,312.57
Construction project of No. 17 mine	52,185,381.85	-	52,185,381.85	32,983,691.81	-	32,983,691.81
Ore processing project	37,640,916.19	-	37,640,916.19	25,386,875.37	-	25,386,875.37
Improvement project of Xiangshan	24,423,384.34	-	24,423,384.34	21,517,536.24	-	21,517,536.24
Exploration of No. 12 mine at Huangshan Dong	941,245.50	-	941,245.50	-	-	-
Hami Jubao						
No. 12 mine at Huangshan Dong	26,065,534.82	-	26,065,534.82	18,511,846.63	-	18,511,846.63
Zhongxin Mining						
Oxygen and acid generation project	12,177,882.80	-	12,177,882.80	53,445,306.86	-	53,445,306.86
Wuxin Copper Mining						
Copper smelting project	532,707,467.30	-	532,707,467.30	300,105,075.20	-	300,105,075.20
	2,106,712,433.09	-	2,106,712,433.09	2,238,313,689.68	-	2,238,313,689.68

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(11) Construction in progress (continued)

	Budget	As at 31 December 2010	Current period addition	Transfer to property plant and equipment	30 June 2011	% contribution in budget	Capitalized amount	Source of funds
Kaifongke Mining								
Nickel smelting project	581,216,804.14	484,216,804.14	85,578,865.70	(569,795,669.84)	—	98.03%	—	Self-funding
Nickel mining and ore processing project	634,000,000.00	432,545,842.41	2,888,901.99	—	435,434,744.40	68.08%	—	Self-funding
Excavation project	232,334,689.02	185,334,689.02	32,349,224.07	—	217,683,913.09	93.69%	—	Self-funding
Mine exploration project	43,610,806.09	35,571,606.09	264,769.58	—	35,836,375.67	82.17%	—	Self-funding/ government-grants
Other constructions in progress for production	75,046,239.43	44,895,239.43	1,452,755.71	—	46,347,995.14	61.76%	—	Self-funding
Fukang Refinery								
Copper refining project	265,982,000.00	204,988,863.91	30,030,499.23	—	235,019,363.14	88.36%	—	Self-funding
Mengxi Mining								
Copper exploration in Sangdewulan Area	28,280,000.00	11,000,000.00	2,967,900.00	—	13,967,900.00	49.39%	—	Self-funding
Xinjiang Yakesi								
Mining project of Huangshan	543,092,700.00	387,810,312.57	48,628,135.94	(158,119.66)	436,280,328.85	80.33%	—	Self-funding
Construction project of No. 17 mine	47,000,000.00	32,983,691.81	19,201,690.04	—	52,185,381.85	77.89%	—	Self-funding
Ore processing project	394,167,000.00	25,386,875.37	12,254,040.82	—	37,640,916.19	9.55%	—	Self-funding
Improvement project of Xiangshan	29,817,536.24	21,517,536.24	3,597,982.53	(692,134.43)	24,423,384.34	81.91%	—	Self-funding
Exploration project of No. 12 mine at Huangshan Dong	6,600,000.00	—	1,047,450.88	(106,205.38)	941,245.50	14.26%	—	Self-funding
Hami Jubao								
No. 12 mine at Huangshan Dong	27,000,000.00	18,511,846.63	7,553,688.19	—	26,065,534.82	96.54%	—	Self-funding
Zhongxin Mining								
Oxygen and acid generation project	82,505,500.00	53,445,306.86	5,456,374.64	(46,723,798.70)	12,177,882.80	71.39%	—	Self-funding
Wuxin Copper Mining								
Copper smelting project	1,527,619,700.00	300,105,075.20	232,602,392.10	—	532,707,467.30	34.87%	—	Self-funding/ government-grants
	4,635,551,169.76	2,238,313,689.68	485,874,671.42	(617,475,928.01)	2,106,712,433.09		—	

As at 30 June 2011, there is no indication of impairment on construction in progress.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(12) Intangible assets

	As at 31 December 2010	Additions	Reductions	As at 30 June 2011
Cost	820,077,020.49	12,716,651.47	–	832,793,671.96
Mining rights	686,937,506.77	12,716,651.47	–	699,654,158.24
Land use rights	132,052,779.99	–	–	132,052,779.99
Others	1,086,733.73	–	–	1,086,733.73
Accumulated amortisation	(54,023,900.28)	(8,627,030.49)	–	(62,650,930.77)
Mining rights	(42,862,636.69)	(7,057,478.34)	–	(49,920,115.03)
Land use rights	(10,626,327.32)	(1,469,657.85)	–	(12,095,985.17)
Others	(534,936.27)	(99,894.30)	–	(634,830.57)
Net book value	766,053,120.21	4,089,620.98	–	770,142,741.19
Mining rights	644,074,870.08	5,659,173.13	–	649,734,043.21
Land use rights	121,426,452.67	(1,469,657.85)	–	119,956,794.82
Others	551,797.46	(99,894.30)	–	451,903.16

For the six months ended 30 June 2011, amortisation expenses of intangible assets amounted to RMB8,627,030.49 in total, which was charged in profit or loss (six months ended 30 June 2010: RMB8,483,620.76).

As at 30 June 2011 and 31 December 2010, there was no indication of impairment on intangible assets, and accordingly no provision for impairment was made.

As at 30 June 2011 and 31 December 2010, none of the land use rights were pledged as collateral for borrowings.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(13) Goodwill

	As at 30 June 2011	As at 31 December 2010
The acquisition of Zhongxin Mining	17,844,894.10	17,844,894.10
The acquisition of Xinjiang Yakesi and Hami Jubao	9,987,911.01	9,987,911.01
	27,832,805.11	27,832,805.11

(14) Other non-current assets

	As at 30 June 2011	As at 31 December 2010
Prepayment for investment (Note(i))	80,000,000.00	–
Prepaid utilities	51,745,751.61	49,032,567.99
Prepaid land purchase	40,000,000.00	–
Prepaid mining right fee	–	6,500,000.00
	171,745,751.61	55,532,567.99

- (i) According to the cooperation agreement signed between the Company and Shaanxi Mingtai Engineering Construction Co., Ltd. ("Shaanxi Mingtai") on 22 February 2011, the Company has prepaid RMB80,000,000.00 as the down payment of acquisition of 51% equity interests in Shaanxi Xinxin Mining Co., Ltd. ("Shaanxi Xinxin"). Up to the date of this report, acquisition and consolidation are yet to be concluded.

(15) Notes payable

	As at 30 June 2011	As at 31 December 2010
Bank acceptance notes	14,696,162.80	36,343,647.00

As at 30 June 2011, notes payable due within 1 year amounted to RMB14,696,162.80 (31 December 2010: RMB36,343,647.00).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(16) Accounts payable

	As at 30 June 2011	As at 31 December 2010
Payables for constructions	105,343,309.53	72,927,516.75
Payables for machineries and equipment	75,233,906.26	42,864,161.65
Payables for materials	65,782,614.09	68,781,337.30
Payables for transportation	1,677,656.11	1,699,385.32
Payables for services	720,364.19	16,126,372.65
Others	8,150,199.78	1,338,564.66
	256,908,049.96	203,737,338.33

(a) As at 30 June 2011, there were no payables due to shareholders who held more than 5% (including 5%) of the voting rights in the Company (31 December 2010: Nil).

(b) Accounts payable to related parties are analysed as follows:

	As at 30 June 2011	As at 31 December 2010
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	43,267,122.00	28,889,709.98
Hexin Mining	15,354,285.52	402,214.46
China Non-ferrous Metal Import and Export Company of Xinjiang	5,514,000.00	7,014,000.00
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,452,376.43	910,395.81
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	768,522.40	623,075.30
Xinjiang Non-ferrous Metal Industry (Group) Fukang Retirement Center	401,148.42	276,073.65
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	370,247.30	724,294.40
Xinjiang Non-ferrous Metallurgy Manufacture Factory	116,565.21	110,003.00
Metallurgical Design Institute of Non-ferrous Metals of Urumqi	40,000.00	40,000.00
	67,284,267.28	38,989,766.60

(c) The ageing analysis of trade payables are as follows:

	As at 30 June 2011	As at 31 December 2010
0-90 days	189,421,480.95	117,890,350.40
91-180 days	3,505,069.34	74,336,482.95
181-365 days	36,083,330.60	3,767,818.77
Over 365 days	27,898,169.07	7,742,686.21
	256,908,049.96	203,737,338.33

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(17) Advances from customers

	As at 30 June 2011	As at 31 December 2010
Advances for goods	9,118,349.54	3,987,003.38

- (a) As at 30 June 2011, there were no advances from shareholders who held more than 5% (including 5%) of the voting rights in the Company (31 December 2010: Nil).
- (b) As at 30 June 2011, carrying amount of advances from customers over 1 year amounted to approximately RMB644,194.61 (31 December 2010: RMB644,194.61).

(18) Employee benefits payable

	As at 31 December 2010	Current period additions	Current period reductions	As at 30 June 2011
Salaries, bonuses, allowances and subsidies	38,353,121.15	74,732,107.74	(78,455,222.34)	34,630,006.55
Staff welfare	–	7,201,161.55	(6,883,834.57)	317,326.98
Social insurances	4,439,123.14	20,141,630.95	(20,429,563.66)	4,151,190.43
Including: Medical insurance	1,303,982.35	4,318,131.91	(4,423,356.97)	1,198,757.29
Pension insurance	1,753,410.20	12,747,711.40	(12,801,062.07)	1,700,059.53
Unemployment insurance	1,145,981.31	1,300,358.38	(1,436,043.65)	1,010,296.04
Work injury insurance	180,530.03	1,236,818.90	(1,231,146.35)	186,202.58
Maternity insurance	55,219.25	523,075.36	(522,419.62)	55,874.99
Illness insurance	–	15,535.00	(15,535.00)	–
Housing funds	1,423,317.11	5,332,214.00	(5,215,913.79)	1,539,617.32
Labor union fund and employee education fund	5,068,516.45	2,660,745.44	(2,164,549.78)	5,564,712.11
Others	2,118,656.06	6,302,697.18	(5,954,845.37)	2,466,507.87
	51,402,733.91	116,370,556.86	(119,103,929.51)	48,669,361.26

As at 30 June 2011, no defaulted amount was included in the employee benefits payable, and the balance was estimated to be paid in 2011.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(19) Taxes payable

	As at 30 June 2011	As at 31 December 2010
Income tax payable/(prepayment)	4,200,748.75	(1,237,231.85)
Value added tax	2,933,791.92	3,985,305.91
Mineral resources compensation fee	2,701,168.41	6,627,779.52
Individual income tax	747,372.98	778,010.42
Resource tax	668,897.82	888,089.30
City maintenance and construction tax	360,194.90	287,113.27
Educational surcharge	221,884.92	180,348.47
Stamp duty	54,582.11	1,036,483.28
Land use tax	–	372,193.50
Others	–	787,487.23
	11,888,641.81	13,705,579.05

(20) Other payables

	As at 30 June 2011	As at 31 December 2010
Project retention money	14,477,421.09	20,196,836.84
Payables to related parties	3,763,965.00	2,881,000.00
Accrued labor expenses	3,012,538.97	3,390,973.72
Withholding social security fees	1,346,862.49	2,115,523.52
Deposits	757,000.00	735,000.00
Staff relocation fees	201,847.16	201,847.16
Audit fees	71,003.00	2,762,696.00
Agency fees	–	121,034.68
Others	18,823,075.61	4,805,526.06
	42,453,713.32	37,210,437.98

- (a) As at 30 June 2011, there were no other payables to shareholders who held more than 5% (including 5%) of the voting rights in the Company (31 December 2010: Nil).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(20) Other payables (continued)

(b) Other payables to related parties are analysed as follows:

	As at 30 June 2011	As at 31 December 2010
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	2,626,000.00	2,611,000.00
Xinjiang Non-ferrous Group	817,965.00	–
China Non-ferrous Metal Import and Export Company of Xinjiang	220,000.00	220,000.00
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	50,000.00	50,000.00
Fuyun Hengsheng Beryllium Industry Co., Ltd.	50,000.00	–
	3,763,965.00	2,881,000.00

(c) As at 30 June 2011, other payables over 1 year with carrying amount of RMB5,244,065.02 (31 December 2010: RMB12,051,730.45) were mainly quality guarantee.

(21) Provision

	As at 31 December 2010	Current period additions	Current period reductions	As at 30 June 2011
Provision for close down, restoration and environmental costs	6,839,546.51	–	(630,520.00)	6,209,026.51

A provision is recognised for the present value of costs to be incurred for the restoration of the tailings dam 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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(22) Long-term payables

	As at 30 June 2011	As at 31 December 2010
Early retirement benefit obligation	209,963.57	350,822.97
Less: Amounts due within one year	(109,963.57)	(250,822.97)
	100,000.00	100,000.00

(23) Short-term and long-term loans

	As at 30 June 2011	As at 31 December 2010
Short-term unsecured bank loans	110,000,000.00	–
Long-term unsecured bank loan	230,000,000.00	30,000,000.00
	340,000,000.00	30,000,000.00

As at 30 June 2011, the Long-term loan is repayable in 2013. The interest is payable on a quarterly basis. The effective interest rate as at 30 June 2011 was 6.50% per annum (As at 31 December 2010: 5.38%). The short-term loans are repayable in 2012. The interest is payable on a monthly or quarterly basis. The effective interest rate as at 30 June 2011 was 6.22%.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(24) Other non-current liabilities

	As at 30 June 2011	As at 31 December 2010
Deferred income		
– Enterprise development fund (Note(i))	12,603,000.00	12,603,000.00
– Land use right (Note(ii))	9,649,780.42	9,754,669.36
– Project on exploration of No.2 mine in Kalatongke Mining (Note(iii))	7,880,000.00	7,880,000.00
– Project on energy saving (Note(iv))	3,600,000.00	3,600,000.00
– Project on use of well water (Note(iv))	2,700,000.00	2,700,000.00
– General improvement project (Note(iv))	1,600,000.00	1,600,000.00
– Project on technology improvement (Note(v))	800,000.00	800,000.00
– Project on online monitoring of pollution sources (Note(vi))	400,000.00	400,000.00
– Project on recovery of No.1 mine residual ore (Note(vii))	146,690.54	157,981.52
	39,379,470.96	39,495,650.88

- (i) Pursuant to [2010] No.97 document issued by Finance and Economy Working Group Office of Communist Party Committee of Fukang Municipal Government, Fukang Finance Bureau subsidized Wuxin Copper Mining RMB12,603,000.00 as enterprise development fund. This fund is mainly used for construction of plant and equipment. The construction project is in progress.
- (ii) Pursuant to Ha Shi Guo Tu Fa [2006] No.403 document issued by Land and Resources Bureau of Hami City, the fees of land use rights of Zhongxin Mining were exempted. Upon the recognition of land use rights, Zhongxin Mining recognised the land use rights at fair value and credited deferred income at the same amount. Deferred income is amortised over land use right period and charged to non-operating income. The fair value of land use rights were determined based on market price and valued by Xinjiang Yuanxin Realty Valuation Company Limited.
- (iii) The fund represented RMB7,180,000.00 and RMB700,000.00 subsidized by Land and Resources Department of Xinjiang Uygur Autonomous Region and Development Plan Committee of Xinjiang Uygur Autonomous Region respectively for a project relating to further exploration of west section of No.2 mine. The project is in progress.
- (iv) The funds were subsidised by Finance Department of Xinjiang Uygur Autonomous Region. The projects are in progress.
- (v) Pursuant to Xin Cai Qi [2010] No.118 document issued by Finance Department of Xinjiang Uygur Autonomous Region, RMB800,000.00 was subsidized for Xinjiang Yakesi for technology improvement. The project is in progress.
- (vi) The fund was subsidised by Environmental Protection Bureau of Xinjiang Uygur Autonomous Region for online monitoring of pollution sources. The project is in progress.
- (vii) The fund was subsidised by Land and Resources Department of Xinjiang Uygur Autonomous Region for recovery of residual ore. The project is in progress.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(25) Deferred tax assets and deferred tax liabilities

Deferred tax assets without taking into consideration the offsetting of balances:

(a) Deferred tax assets

	As at 30 June 2011		As at 31 December 2010	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deductible tax losses	6,572,614.54	26,290,458.14	11,195,855.97	44,783,423.86
Unrealized profit	4,420,930.16	17,683,720.66	13,073,321.41	52,293,285.64
Government grants	4,284,495.39	17,137,981.56	4,084,495.39	16,337,981.56
Impairment provision	663,382.84	4,246,669.21	663,382.84	2,935,315.20
Others	545,915.43	2,183,661.72	545,915.43	2,183,661.72
	16,487,338.36	67,542,491.29	29,562,971.04	118,533,667.98

(b) Deferred tax liabilities

	As at 30 June 2011		As at 31 December 2010	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control	102,505,458.34	410,021,833.36	102,957,311.05	411,829,244.20

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(26) Provision for assets impairment

	As at 31 December 2010	Current period additions	Current period deductions	As at 30 June 2011
Provision for bad debts	3,431,125.19	272,116.22	–	3,703,241.41
Including:				
Provision for bad debts of accounts receivable	2,720,390.39	272,116.22	–	2,992,506.61
Provision for bad debts of other receivables	710,734.80	–	–	710,734.80
Provision for decline in value of inventories	543,427.80	–	–	543,427.80
	3,974,552.99	272,116.22	–	4,246,669.21

(27) Share capital

	As at 30 June 2011			As at 31 December 2010		
	Number of shares	% of issued capital	Amount	Number of shares	% of issued capital	Amount
Sponsor:						
Xinjiang Non-ferrous Shanghai Yilian Kuangneng Industry Co., Ltd.	885,204,000	40.06%	221,301,000.00	885,204,000	40.06%	221,301,000.00
Zhongjin Investment (Group) Co., Ltd.	282,896,000	12.80%	70,724,000.00	282,896,000	12.80%	70,724,000.00
Xiamen Zijin High-tech Co., Ltd.	198,028,000	8.96%	49,507,000.00	198,028,000	8.96%	49,507,000.00
Xinjiang Xinying New Material Co., Ltd.	56,580,000	2.56%	14,145,000.00	56,580,000	2.56%	14,145,000.00
Xinjiang Xinying New Material Co., Ltd.	22,020,000	1.00%	5,505,000.00	22,020,000	1.00%	5,505,000.00
Shaanxi Honghao Industry Co., Ltd.	6,272,000	0.28%	1,568,000.00	6,272,000	0.28%	1,568,000.00
Subtotal	1,451,000,000	65.66%	362,750,000.00	1,451,000,000	65.66%	362,750,000.00
H Shareholders	759,000,000	34.34%	189,750,000.00	759,000,000	34.34%	189,750,000.00
	2,210,000,000	100.00%	552,500,000.00	2,210,000,000	100.00%	552,500,000.00

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(28) Capital surplus

	Contribution from Holding Company (Note 1)	Capital reserve (Note 2)	Total
As at 30 June 2011 and 31 December 2010	35,393,957.53	4,219,360,899.96	4,254,754,857.49

Note 1: It represents the difference between the fair value of mining rights acquired from Xinjiang Non-ferrous and the discounted net present value of long-term payable for the mining rights acquired, which is fund prior to listed on the Hong Kong Stock Exchange.

Note 2: Capital reserve represents the difference between nominal value of share issued and the fair value of net assets/considerations received by the Company.

(29) Special reserve

	As at 31 December 2010	Current period additions	Current period reductions	As at 30 June 2011
Safety fund reserve (Note)	–	3,919,996.03	(2,730,847.66)	1,189,148.37

	As at 31 December 2009	Current period additions	Current period reductions	As at 30 June 2010
Safety fund reserve (Note)	–	2,958,893.00	(1,175,664.68)	1,783,229.22

Note: Pursuant to certain regulations issued by the State Administration of Work Safety, the Company is required to set aside an amount to a safety fund at RMB8 per ton of raw ore mined and at 4% of sales of vitriol. The fund can only be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. For the six months ended 2011 expensed safety fund is RMB2,730,847.00 (six months ended 30 June 2010: RMB1,175,664.68).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(30) Surplus reserve

	As at 31 December 2010	Current period additions	Current period reductions	As at 30 June 2011
Statutory reserve	194,806,549.58	–	–	194,806,549.58

Pursuant to the PRC Company Law and the Company's and subsidiaries' Articles of Association, every year the Company and its subsidiaries are required to appropriate 10% of the profit after taxation determined in accordance with PRC GAAP to the statutory reserve until the balance reaches 50% of the share capital/registered capital. Such reserve can be used to offset against net losses or to increase share capital/registered capital. Except for offsetting losses, any other usage should not result in this reserve balance falling below 25% of the share capital/registered capital. For the six months ended 2011 no statutory reserve was appropriated (six months ended 30 June 2010: Nil).

(31) Undistributed profits

	Six months ended 30 June 2011	Six months ended 30 June 2010
Undistributed profits at the beginning of the period	476,994,280.77	265,795,703.70
Add: Net profit attributable to the Company for the current period	61,312,175.07	185,301,545.43
Less: Ordinary shares dividend payable	(331,500,000.00)	(110,500,000.00)
Undistributed profits at the end of the period	206,806,455.84	340,597,249.13

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(32) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	As at 30 June 2011	As at 31 December 2010
Xinjiang Ashele Copper Industry Co., Ltd.	267,955,769.41	203,618,148.32
Beijing Baodi Xindi Kemao Co., Ltd.	9,831,721.29	9,823,053.65
Xinjiang Aokai Investment Co., Ltd.	2,947,493.24	2,619,224.86
	280,734,983.94	216,060,426.83

(33) Revenue and cost of sales

	Six months ended 30 June 2011	Six months ended 30 June 2010
Revenue from main operation	430,973,716.83	544,147,659.00
Revenue from other operation	18,225,842.35	14,505,121.73
	449,199,559.18	558,652,780.73

	Six months ended 30 June 2011	Six months ended 30 June 2010
Cost of main operation	302,936,680.06	329,520,217.33
Cost of other operation	10,650,308.17	10,873,998.65
	313,586,988.23	340,394,215.98

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(33) Revenue and cost of sales (continued)

Revenue and cost of main operation

The Group are principally engaged in sales of nickel, copper and other non-ferrous metal products.

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Nickel cathode	362,253,743.88	257,136,977.94	422,106,001.24	259,182,527.92
Copper cathode	66,195,166.84	44,196,337.06	98,896,091.87	59,039,624.89
Copper concentrate	–	–	6,909,713.54	1,682,579.68
Others	2,524,806.11	1,603,365.06	16,235,852.35	9,615,484.84
	430,973,716.83	302,936,680.06	544,147,659.00	329,520,217.33

Revenue and cost of other operation

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Revenue from other operation	Cost of other operation	Revenue from other operation	Cost of other operation
Sales of electricity	5,745,883.97	6,093,619.50	7,160,284.13	7,407,510.91
Scrap sales	7,032,330.00	2,243,056.00	4,229,415.68	163,669.85
Sales of materials	3,731,423.00	16,855,73.62	2,378,721.05	2,244,695.05
Supply of heat	113,845.05	31,429.74	93,846.16	3,846.16
Others	1,602,360.33	596,629.31	642,854.71	1,054,276.68
	18,225,842.35	10,650,308.17	14,505,121.73	10,873,998.65

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(33) Revenue and cost of sales (continued)

Top five customers of the Group

Revenue from top five customers of the Group amounted to RMB382,440,385.51, representing 85.14% (six months ended 30 June 2010: RMB415,875,720.18, accounted for 74.51%) of the total revenue of the Group for the six months ended 30 June 2011. Details are as follows:

	Revenue	Percentage of the total revenue of the Group
Jiuquan Iron and Steel Group		
Tianfeng Stainless Co., Ltd.	166,545,548.21	37.08%
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	120,021,357.26	26.72%
Jiangsu Yuanhang Precision Alloy Technology Co., Ltd.	57,106,195.73	12.71%
Shenyang Chengtong Metal Co., Ltd.	20,661,407.99	4.60%
Xinjiang Zhonghe Co., Ltd.	18,105,876.32	4.03%
	382,440,385.51	85.14%

(34) Taxes and surcharges

	Six months ended 30 June 2011	Six months ended 30 June 2010
Education surcharge	619,514.73	—
City maintenance and construction tax	927,665.52	—
Others	17,783.40	—
	1,564,963.65	—

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(35) Selling and distribution expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Transportation fees	2,128,112.91	2,024,281.60
Employee benefits	564,147.87	340,909.01
Administration and travel expense	113,524.52	161,189.69
Depreciation	87,206.94	101,543.94
Others	182,131.13	244,999.38
	3,075,123.37	2,872,923.62

(36) General and administrative expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Employee benefits	24,752,306.98	17,588,789.49
Administration and travel expense	2,512,136.58	2,084,652.55
Other taxes	13,369,254.01	7,672,468.59
Depreciation	5,398,992.17	3,019,435.68
Amortisation	1,406,848.05	1,515,283.70
Agency fee	845,211.86	1,759,131.50
Repair cost	273,826.28	4,776.00
Materials	1,405,679.83	102,290.36
Insurance	174,263.66	170,355.85
Leases	842,298.40	890,313.51
Others	10,250,499.34	8,741,403.86
	61,231,317.16	43,548,901.09

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(37) Finance income – net

	Six months ended 30 June 2011	Six months ended 30 June 2010
Interest income on deposits	11,036,109.50	19,733,404.61
Interest expense on bank borrowings	(8,125.00)	–
Net foreign exchange gains/(losses)	729.40	(3,613.47)
Bank charges	(94,742.68)	(67,821.39)
Discount interest unwinding	630,520.00	–
	11,564,491.22	19,661,969.75

(38) Asset impairment losses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Bad debts losses	272,116.22	142,665.94

(39) Investment income/(losses)

	Six months ended 30 June 2011	Six months ended 30 June 2010
Share of income/(losses) of a joint-venture	684,374.05	(1,465,997.47)
Share of loss of an associate	(330,202.25)	(442,803.92)
	354,171.80	(1,908,801.39)

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(40) Non-operating income

	Six months ended 30 June 2011	Six months ended 30 June 2010
Gain on disposal of property, plant and equipment	64,611.50	23,200.00
Government grants (Note(a))	1,581,290.98	376,654.98
Others	152,125.42	1,333,276.21
	1,798,027.90	1,733,131.19

(a) Details of government grants

	Six months ended 30 June 2011	Six months ended 30 June 2010
Energy saving subsidies	1,570,000.00	–
Platinum tax refund	–	260,475.05
Others	11,290.98	116,179.93
	1,581,290.98	376,654.98

(41) Non-operating expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Donations (Note(i))	1,908,000.00	2,311,000.00
Losses on disposal of non-current assets	547,550.96	–
Others	236,105.32	25,151.76
	2,691,656.28	2,336,151.76

(i) Donations were mainly made for purposes of supporting local development and social welfare.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(42) Income tax expenses

	Six months ended 30 June 2011	Six months ended 30 June 2010
Current income tax	6,483,573.04	3,966,457.64
Deferred income tax	12,623,779.97	(85,951.25)
	19,107,353.01	3,880,506.39

The reconciliation from income tax expenses calculated based on the applicable tax rates and the total profit presented in the consolidated income statement to the income tax expenses is listed below:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Total profit	80,494,085.19	188,844,221.88
Income tax expenses calculated at applicable tax rate of 25%	20,123,521.30	47,211,055.47
Effect of tax exemptions/deduction	(1,012,263.74)	(43,885,855.35)
(Income)/loss not subject to tax	(88,542.95)	477,200.35
Expenses not deductible for tax purposes	84,638.40	78,105.92
	19,107,353.01	3,880,506.39

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(43) Earnings per share

Basic earnings per share is calculated by dividing consolidated net profit for the current period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding:

	Six months ended 30 June 2011	Six months ended 30 June 2010
Consolidated net profit attributable to equity holders of the Company	61,312,175.07	185,301,545.43
Weighted average number of ordinary shares outstanding	2,210,000,000.00	2,210,000,000.00
Basic/diluted earnings per share	0.028	0.084

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding for all periods presented.

(44) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2011	Six months ended 30 June 2010
Cash received from a related party	50,000,000.00	–
Interest income	13,326,819.46	29,161,298.90
Others	6,209,957.51	7,456,141.17
	69,536,776.97	36,617,440.07

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(44) Notes to consolidated cash flow statement (continued)

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2011	Six months ended 30 June 2010
Administrative expenses	7,458,582.21	6,191,770.99
Sewage charge	3,742,969.00	–
Transportation fees	1,960,887.84	1,381,106.27
Donations	1,908,000.00	3,287,049.60
Service fees	1,600,200.00	1,066,906.67
Agency fees	845,211.86	–
Early retirement obligation	250,822.97	155,969.32
Others	5,598,883.22	513,089.31
	23,365,557.10	12,595,892.16

(c) Reconciliation from net profit to cash flows from operating activities

	Six months ended 30 June 2011	Six months ended 30 June 2010
Net profit	61,386,732.18	184,963,715.50
Adjustment:		
Provisions for asset impairment	272,116.22	142,665.94
Depreciation of property, plant and equipment	34,957,702.55	28,032,620.68
Amortisation of intangible assets	8,627,030.49	8,477,509.80
Losses on disposal of property, plant and equipment	547,550.96	–
Decrease in deferred tax assets	13,075,632.68	429,031.45
Decrease in deferred tax liabilities	(451,852.71)	(514,982.70)
Finance expenses	8,125.00	–
Investment (income)/losses	(354,171.80)	1,908,801.39
Increase in inventories	(257,259,889.66)	(38,263,656.25)
Increase in operating receivables	(109,095,191.37)	(83,671,974.49)
Increase in operating payables	22,045,227.92	28,094,587.94
Increase in long-term prepaid expenses	(66,114.30)	(47,190.84)
Others	(746,699.92)	(54,242.65)
Net cash flows from operating activities	(227,053,801.76)	129,496,885.77

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(44) Notes to consolidated cash flow statement (continued)

(d) Movements of cash and cash equivalents

	Six months ended 30 June 2011	Six months ended 30 June 2010
Cash and cash equivalents at end of the period (e)	1,035,304,374.26	2,006,542,643.19
Less: cash and cash equivalents at beginning of the period	(1,501,686,084.60)	(2,301,417,947.94)
Net decrease in cash and cash equivalents	(466,381,710.34)	(294,875,304.75)

(e) Cash and cash equivalents

	As at 30 June 2011	As at 31 December 2010
Cash at bank and on hand	1,058,310,140.39	1,545,857,673.26
Less: restricted cash at banks	(23,005,766.13)	(44,171,588.66)
Cash and cash equivalents	1,035,304,374.26	1,501,686,084.60

8 Segment information

As all of the Group's activities are engaged in the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of No. 3 Interpretation of CAS.

For the six months ended 2011 and 2010, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the six months ended 2011, top two customers of the Group accounted for 37.08% and 26.72% of the total revenue of the Group respectively (six months ended 30 June 2010: 40.43% and 22.91%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

9 Related parties and related party transactions

(1) General information of the parent company

(a) Information of the parent company

Name of company	Place of registration	Nature of business	Type	Legal representative	Code of organisation
Xinjiang Non-ferrous	Youhao Building No.4 You Hao North Road Urumqi Xinjiang	Mining, smelting and refining of non-ferrous metal products.	State-owned company	Yuan Ze	734468753

The Company's ultimate holding company is Xinjiang Non-ferrous.

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

Name of company	As at 31 December 2010	Current period additions	Current period reductions	As at 30 June 2011
Xinjiang Non-ferrous	1,396,525,444.00	-	-	1,396,525,444.00

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

Name	As at 30 June 2011 % interest held and % voting rights	As at 31 December 2010 % interest held and % voting rights
Xinjiang Non-ferrous	40.06%	40.06%

(2) Information of subsidiaries

Detailed information please refer to Note 6.

(3) Information of joint-venture and associate

The general information of joint-venture and associate is set out in Note 7(8).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

9 Related parties and related party transactions (continued)

(4) Other related party information

Name of related parties	Relationship with the Group	Code of organisation
Xinjiang Ashele Copper Industry Co., Ltd.	Associate of holding company	71296908-X
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary	792293875
Xinjiang A'xi Gold Mine	Fellow subsidiary	230581082
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	Fellow subsidiary	742210752
Xinjiang Non-ferrous Metal Dibian Trade Company	Fellow subsidiary	228582932
Metallurgical Design Institute of Non-ferrous Metals of Urumqi	Fellow subsidiary	228665770
China Non-ferrous Metal Import and Export Company of Xinjiang	Fellow subsidiary	228580216
Xinjiang Non-ferrous Metallurgy Manufacture Factory	Fellow subsidiary	228663820
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	Fellow subsidiary	742236645
Xinjiang Non-ferrous Metal Industrial Materials(Group) Co., Ltd.	Fellow subsidiary	745200250
Fukang Non-ferrous Development Co., Ltd.	Fellow subsidiary	745211507
Xinjiang Non-ferrous Metal Industry(Group) Fuyun Xingtong Service Co., Ltd.	Fellow subsidiary	710872225
Xinjiang Jinhui Real Estate Development Co., Ltd.	Fellow subsidiary	712967877
Urumqi Mingyuan Property Management Co., Ltd.	Fellow subsidiary	718924448
Xinjiang Sangong Power Co., Ltd.	Fellow subsidiary	722315151
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary	751693397
Beijing Baodi Xindi Kemao Co., Ltd.	Fellow subsidiary	10210338-5
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Fellow subsidiary	666695937
Xinjiang Non-ferrous Metal Industry(Group) Fukang Retirement Center	Fellow subsidiary	XJ00YS044
West Gold Co., Ltd.	Fellow subsidiary	73835557X
Hexin Mining	Joint Venture	792293429

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

9 Related parties and related-party transactions (continued)

(5) Related party transactions

(a) Policy of price with related parties

The price of relate party transactions including sales to related parties, purchase from related parties, provision of service by related parties and lease from related parties, is based on market price or agreement price.

(b) Purchase of materials

	Six months ended 30 June 2011	Six months ended 30 June 2010
Purchase of equipment and parts		
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	145,447.00	1,766,118.68
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	263,150.00	2,998,452.87
Purchase of coal		
Fukang Non-ferrous Development Co., Ltd.	–	378,448.40
Purchase of nickel concentrate		
Hexin Mining	52,839,719.21	–
Purchase of raw materials and consumables		
Fukang Non-ferrous Development Co., Ltd.	1,857,064.25	1,804,857.36
	55,105,380.46	6,947,877.31

Purchase of raw materials from related parties for the six months ended 30 June 2011 represented 14% of the Group's total purchase of raw materials (six months ended 30 June 2010: 3%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

9 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(c) Provision of services

	Six months ended 30 June 2011	Six months ended 30 June 2010
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	73,741,944.87	61,815,622.87
Supply of heat		
Fukang Non-ferrous Development Co., Ltd.	–	41,631.86
Transportation services		
Fukang Non-ferrous Development Co., Ltd.	979,112.72	2,456,333.73
Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	965,952.90	249,903.60
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,600,200.00	1,600,200.00
Property, plant and equipment services charge		
China Non-ferrous Metal Import and Export Company of Xinjiang	–	14,062,103.20
Design fees		
Urumqi design and Research Institute of nonferrous metallurgy	570,000.00	–
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	539,613.25	399,270.64
	78,396,823.74	80,625,065.90

Payment for construction services to a related party for the six months ended 30 June 2011 represented 15% of total payment of construction services (six months ended 30 June 2010: 17%).

Payment for transportation services to related parties for the six months ended 30 June 2011 represented 22% of total payment of transportation services (six months ended 30 June 2010: 32%).

Payment for comprehensive supporting services, design fees and other services to related parties for the six months ended 30 June 2011 represented 100% of total payment of these services (six months ended 30 June 2010: 100%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

9 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Sale of products

	Six months ended 30 June 2011	Six months ended 30 June 2010
Fuyun Hengsheng Beryllium Industry Co., Ltd.	8,156,045.00	13,057,484.03
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	840,315.55	2,116,560.48
Fukang Non-ferrous Development Co., Ltd.	–	559,380.60
	8,996,360.55	15,733,425.11

Sales by the group to related party for the six months ended 30 June 2011 represented 2% of total sales (six months ended 30 June 2010: 2.8%).

(e) Lease expense

	Six months ended 30 June 2011	Six months ended 30 June 2010
Xinjiang Non-ferrous	817,965.00	817,965.00

Pursuant to the agreement between the Group and Xinjiang Non-ferrous, the Group leases the office from Xinjiang Non-ferrous from 1 January 2010 to 31 December 2012. Lease expense for the six months ended 30 June 2011 amounted to RMB817,965. Rental paid/payable to Xinjiang Non-ferrous accounted for 100% of total rental fee.

(f) Remuneration of key management

	Six months ended 30 June 2011	Six months ended 30 June 2010
Remuneration of key management	1,638,016.00	1,630,634.00

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

9 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(g) Loan to related party

	Six months ended 30 June 2011	Six months ended 30 June 2010
Hexin Mining	–	50,000,000.00

(h) Dividend paid

	Six months ended 30 June 2011	Six months ended 30 June 2010
Xinjiang Non-ferrous	–	44,260,200.00

(i) Use of trademark

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

(6) Balances due from or due to related parties

(a) Accounts receivable

	As at 30 June 2011	As at 31 December 2010
Fuyun Hengsheng Beryllium Industry Co., Ltd.	1,255,416.10	1,255,416.10
Xinjiang Haoxin Lithia Developing Co., Ltd.	324,351.70	324,351.70
Fukang Non-ferrous Development Co., Ltd.	–	86,773.60
	1,579,767.80	1,666,541.40

As at 30 June 2011, the accounts receivable from related parties accounted for 1.4% of total accounts receivable (31 December 2010: 1%). Provision for impairment the accounts receivable amounted to RMB654,823.85 (31 December 2010: RMB387,156.33).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

9 Related parties and related-party transactions (continued)

(6) Balances due from or due to related parties (continued)

(b) Other receivables

	As at 30 June 2011	As at 31 December 2010
Hexin Mining	2,655,000.00	52,655,000.00
Puxiong Mining	7,047,810.01	7,047,810.01
	9,702,810.01	59,702,810.01

As at 30 June 2011, the other receivables from related parties accounted for 16% of total other receivables (31 December 2010: 61%).

(c) Advances to suppliers

	As at 30 June 2011	As at 31 December 2010
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	683,805.38	68,229.55
Xinjiang Non-ferrous Metal Industry (Group) materials Co., Ltd.	95,806.80	–
Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	–	448,410.62
Fukang Non-ferrous Development Co., Ltd.	–	19,455.50
	779,612.18	536,095.67

As at 30 June 2011, the advances to related parties accounted for 0.73% of total advances (31 December 2010: 1.84%).

(d) Notes receivable

	As at 30 June 2011	As at 31 December 2010
Fuyun Hengsheng Beryllium Industry Co., Ltd.	–	1,730,000.00

As at 31 December 2010, the notes receivable from related parties accounted for 72% of total notes receivable.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

9 Related parties and related-party transactions (continued)

(6) Balances due from or due to related parties (continued)

(e) Accounts payable

	As at 30 June 2011	As at 31 December 2010
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	43,267,122.00	28,889,709.98
Hexin Mining	15,354,285.52	402,214.46
China Non-ferrous Metal Import and Export Company of Xinjiang	5,514,000.00	7,014,000.00
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,452,376.43	910,395.81
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	768,522.40	623,075.30
Fukang Non-ferrous Development Co., Ltd.	401,148.42	276,073.65
Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	370,247.30	724,294.40
Xinjiang Non-ferrous Metallurgy Manufacture Factory	116,565.21	110,003.00
Metallurgical Design Institute of Non-ferrous Metals of Urumqi	40,000.00	40,000.00
	67,284,267.28	38,989,766.60

As at 30 June 2011, the payables to related parties accounted for 26% of total accounts payables (31 December 2010: 19%).

(f) Other payables

	As at 30 June 2011	As at 31 December 2010
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	2,626,000.00	2,611,000.00
Xinjiang Non-ferrous Group	817,965.00	–
China Non-ferrous Metal Import and Export Company of Xinjiang	220,000.00	220,000.00
Fukang Non-ferrous develop Co., Ltd.	50,000.00	–
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	50,000.00	50,000.00
	3,763,965.00	2,881,000.00

As at 30 June 2011, the other payables to related parties accounted for 9% of total other payables (31 December 2010: 8%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

10 Commitments

(1) Capital commitments

As at the balance sheet date, capital expenditures contracted for but are not yet necessary to be recognised on the balance sheet:

	As at 30 June 2011	As at 31 December 2010
Buildings	967,208,886.34	1,264,788,411.72
Machinery and equipment	821,528,504.32	853,993,899.33
Service fee	426,670,054.00	–
Mining rights	–	6,500,000.00
	2,215,407,444.66	2,125,282,311.05

(2) Operating lease commitments

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

	As at 30 June 2011	As at 31 December 2010
Within 1 year	1,635,930.00	1,635,930.00
Between 1 and 2 years	817,965.00	1,635,930.00
	2,453,895.00	3,271,860.00

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

11 Financial instrument and risk

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

(1) Market risk

(a) Foreign exchange risk

The Group's interest rate risk arises mainly from bank deposits. Bank deposits at variable rate expose the Group to cash flow interest rate risk. The Group's policy to manage the cash flow interest rate is to arrange deposits with fixed interest rates which can partially reduce the risk of interest fluctuation.

As at 30 June 2011, if interest rates on bank deposits had been 10% lower/higher with all other variables held constant, post-tax profit for the six months ended 30 June 2011 would have been RMB1,107,089.62 lower/higher (six months ended 30 June 2010: RMB1,973,340.46).

(b) Credit risk

The carrying amounts of bank deposits and receivables included in the consolidated balance sheets represent the Group's maximum exposure to credit risk in relation to its financial assets.

Most of bank balances are deposited with state-owned banks which are considered of remote default risk.

For trade receivables from customers, management continuously monitors the credit quality of individual customer, taking into account the customer's financial position, past performance and other factors. Management is also of the opinion that adequate provision for uncollectible trade receivable and other receivables were made after considering the Group's historical experience in collection of trade receivable and other receivables.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

11 Financial instrument and risk (continued)

(1) Market risk (continued)

(c) Liquidity risk

Cash flow forecasting is 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.

At the balance sheet date, the amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 30 June 2011				total
	Within 1 year	1 to 2 years	2 to 5 years	above 5 years	
Trade payables	256,908,049.96	-	-	-	256,908,049.96
Borrowings	130,668,515.00	13,831,800.00	260,296,523.33	-	404,796,838.33
Notes payable	14,696,162.80	-	-	-	14,696,162.80
Other payables and accruals	431,741,424.12	-	-	-	431,741,424.12
	834,014,151.88	13,831,800.00	260,296,523.33	-	1,108,142,475.21

	As at 31 December 2010				total
	Within 1 year	1 to 2 years	2 to 5 years	above 5 years	
Trade payables	203,737,338.33	-	-	-	203,737,338.33
Borrowings	1,614,000.00	1,614,000.00	30,000,000.00	-	33,228,000.00
Notes payable	36,343,647.00	-	-	-	36,343,647.00
Other payables and accruals	92,600,175.27	-	-	-	92,600,175.27
	334,295,160.60	1,614,000.00	30,000,000.00	-	365,909,160.60

(d) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 77% of the total sales for the six months ended 30 June 2011 (six months ended 30 June 2010: 69%) were contributed by the top three customers for which the Group has not entered into any long-term sales contracts with them. In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations. In order to manage the risk, management of the Company continuously explores potential customers.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

11 Financial instrument and risk (continued)

(1) Market risk (continued)

(e) Fair value estimation

For financial instruments that are measured in the balance sheet at fair value, the Group discloses the fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The financial instruments in the Group are mainly accounts receivable, accounts payable, notes payable. This financial instruments are valued by level 3 methods.

12 Notes to the Company financial statements

(1) Accounts receivable

Accounts receivable

	As at 30 June 2011	As at 31 December 2010
Accounts receivable	109,297,520.58	161,736,914.31
Less: provision for bad debts	(2,992,506.61)	(2,720,390.39)
	106,305,013.97	159,016,523.92

(a) The ageing of accounts receivable and provision for bad debts are analysed below:

	As at 30 June 2011			As at 31 December 2010		
	Amount	Provision for bad debts		Amount	Provision for bad debts	
	% of total balance	Amount	Amount	% of total balance	Amount	Amount
Within 1 year	105,931,838.98	96.91%	(9,647.73)	158,356,219.11	97.91%	(51,670.06)
1 to 2 years	315,190.82	0.29%	(94,557.25)	831,763.12	0.51%	(249,528.94)
2 to 3 years	501,558.70	0.46%	(339,369.55)	324,351.70	0.20%	(194,611.01)
3 to 4 years	324,351.70	0.30%	(324,351.70)	-	-	-
Over 4 years	2,224,580.38	2.04%	(2,224,580.38)	2,224,580.38	1.38%	(2,224,580.38)
	109,297,520.58	100.00%	(2,992,506.61)	161,736,914.31	100.00%	(2,720,390.39)

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

12 Notes to the Company financial statements (continued)

(1) Accounts receivable (continued)

(b) Accounts receivable by categories are analysed as follows:

	As at 30 June 2011				As at 31 December 2010			
	Amount	% of total balance	Provision for bad debts Amount	Provision ratio	Amount	% of total balance	Provision for bad debts Amount	Provision ratio
Individually significant	101,404,649.90	92.78%			151,991,953.31	93.97%	-	-
Individually insignificant	7,892,870.68	7.22%	(2,992,506.61)	100%	9,744,961.00	6.03%	(2,720,390.39)	100%
	109,297,520.58	100.00%	(2,992,506.61)	100%	161,736,914.31	100.00%	(2,720,390.39)	100%

(c) As at 30 June 2011, accounts receivable that are individually significant but not impaired are analysed as follows:

	Amount
Jiuquan Iron and Steel Group Tianfeng Stainless Co., Ltd.	98,358,291.4
Shenyang Chengtong Metal Co., Ltd.	3,046,358.5
	101,404,649.90

Please refer to note 7(4(c)) for details.

(d) The groups of accounts receivable used ageing analysis method is analysed as follow:

	As at 30 June 2011				As at 31 December 2010			
	Amount	% of total balance	Provision for bad debts Amount	Provision ratio	Amount	% of total balance	Provision for bad debts Amount	Provision ratio
Within 1 year	4,527,189.08	57.36%	(9,647.73)	0.21%	6,364,265.80	65.31%	(51,670.06)	0.81%
1 to 2 years	315,190.82	3.99%	(94,557.25)	30.00%	831,763.12	8.54%	(249,528.94)	30.00%
2 to 3 years	501,558.70	6.35%	(339,369.55)	67.66%	324,351.70	3.33%	(194,611.01)	60.00%
3 to 4 years	324,351.70	4.11%	(324,351.70)	100.00%	-	-	-	-
Over 4 years	2,224,580.38	28.19%	(2,224,580.38)	100.00%	2,224,580.38	22.83%	(2,224,580.38)	100%
	7,892,870.68	100.00%	(2,992,506.61)		9,744,961.00	100.00%	(2,720,390.39)	

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

12 Notes to the Company financial statements (continued)

(1) Accounts receivable (continued)

- (e) As at 30 June 2011, there are no accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights in the Company (31 December 2010: Nil).
- (f) As at 30 June 2010, the top five accounts receivable balances are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Jiuquan Iron and Steel Group				
Tianfeng Stainless Co., Ltd.	The third party	98,358,291.40	Within 1 year	89.99%
Shenyang Chengtong Metal Co., Ltd.	The third party	3,046,358.50	Within 1 year	2.79%
Shanghai CIMIC Welding Material Limited Company	The third party	2,820,464.92	Within 1 year	2.58%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related party	1,255,416.10	1 to 2 years	1.15%
Jiuquan Iron and Steel Group Co., Ltd.	The third party	622,807.31	Within 1 year	0.57%
		106,103,338.23		97.08%

- (g) Accounts receivable from related parties are analysed as follows:

Relationship with the Company	As at 30 June 2011			As at 31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Fuyun Hengsheng Beryllium Industry Co., Ltd.	1,255,416.10	1.15%	(330,472.15)	1,255,416.10	0.78%	(184,453.23)
Xinjiang Haoxin Lithia Developing Co., Ltd.	324,351.70	0.30%	(324,351.70)	324,351.70	0.20%	(194,611.02)
Fukang Non-ferrous Development Co., Ltd.	-	-	-	86,773.60	0.05%	(8,092.08)
	1,579,767.80	1.45%	(654,823.85)	1,666,541.40	1.03%	(387,156.33)

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
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12 Notes to the Company financial statements (continued)

(2) Other receivables

	As at 30 June 2011	As at 31 December 2010
Value-added tax recoverable	45,618,770.90	26,489,001.26
Hexin Mining	2,655,000.00	52,655,000.00
Staff advance	654,795.91	757,947.61
Others	1,419,017.15	329,132.23
	50,347,583.96	80,231,081.10
Less: provision for bad debts	(6,275.21)	(6,275.21)
	50,341,308.75	80,224,805.89

Note: Please refer to note 7(5) for details.

(a) Other receivables ageing and provision for bad debts are analysed as follow:

	As at 30 June 2011			As at 31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	50,106,802.87	99.53%	-	29,974,716.37	37.36%	-
1 to 2 years	35,912.86	0.07%	-	50,053,180.50	62.39%	-
2 to 3 years	1,684.00	-	-	-	-	-
Over 3 years	203,184.23	0.40%	(6,275.21)	203,184.23	0.25%	(6,275.21)
	50,347,583.96	100.00%	(6,275.21)	80,231,081.10	100.00%	(6,275.21)

(b) Other receivables by categories are analysed as follows:

	As at 30 June 2011				As at 31 December 2010			
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts		Provision	
	Amount	% of total balance	Amount	ratio	Amount	% of total balance		
Individually significant	45,618,770.90	90.61%	-	-	79,144,001.26	98.65%	-	-
Individually insignificant	4,728,813.06	9.39%	(6,275.21)	100%	1,087,079.84	1.35%	(6,275.21)	100%
	50,347,583.96	100.00%	(6,275.21)	100%	80,231,081.10	100.00%	(6,275.21)	100%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
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12 Notes to the Company financial statements (continued)

(2) Other receivables (continued)

- (c) As at 30 June 2011, other receivables that are individually significant but not impaired are analysed as follows:

	Amount
Value-added tax recoverable	45,618,770.90

- (d) The groups of other receivables used ageing analysis method is analysed as follow:

	As at 30 June 2011				As at 31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
Within 1 year	4,488,031.97	94.91%	-	-	830,715.11	76.42%	-	-
1 to 2 years	35,912.86	0.76%	-	-	53,180.50	4.89%	-	-
2 to 3 years	1,684.00	0.04%	-	-	-	-	-	-
Over 3 years	203,184.23	4.29%	(6,275.21)	3.09%	203,184.23	18.69%	(6,275.21)	3.09%
	4,728,813.06	100.00%	(6,275.21)	0.03%	1,087,079.84	100.00%	(6,275.21)	0.52%

- (e) As at 30 June 2011, there was no other receivables from shareholders who held more than 5% (including 5%) of the voting rights in the Company (31 December 2010: Nil).

- (f) As at 30 June 2011, the top five other receivables balances are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Value-added tax recoverable	The third party	45,618,770.90	Within 1 year	90.60%
Hexin Mining	Joint-venture	2,655,000.00	Within 1 year	5.27%
Land and Resources Bureau of Fuyun County	The third party	100,000.00	3 to 5 years	0.20%
Claim receivable	The third party	73,154.84	3 to 5 years	0.15%
Xinjiang Mobile Communication Co., Ltd.	The third party	18,500.00	3 to 5 years	0.04%
		48,465,425.74		96.26%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

12 Notes to the Company financial statements (continued)

(2) Other receivables (continued)

(h) Other receivables from related parties are analysed as follows:

Relationship with the Company	As at 30 June 2011			As at 31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Hexin Mining Joint-venture	2,655,000.00	4.40%	-	52,655,000.00	65.63%	-

(3) Long-term equity investments

	As at 30 June 2011	As at 31 December 2010
Subsidiaries (a)	1,571,531,420.87	1,336,131,420.87
Joint-venture (b)	142,449,759.58	141,765,385.53
	1,713,981,180.45	1,477,896,806.40

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011

(All amounts in RMB Yuan unless otherwise stated)

12 Notes to the Company financial statements (continued)

(3) Long-term equity investments (continued)

(a) Subsidiaries

	Accounting treatment	Initial investment cost	As at 31 December 2010	Current period changes	30 June 2011	Equity interest held	Voting rights held
Mengxi Mining	Cost method	10,200,000.00	10,200,000.00	-	10,200,000.00	51%	51%
Xinjiang Yakesi	Cost method	467,844,415.12	720,171,915.12	-	720,171,915.12	99.51%	99.51%
Hami Jubao	Cost method	75,000,000.00	91,100,349.00	-	91,100,349.00	75%	75%
Zhongxin Mining	Cost method	56,659,156.75	118,659,156.75	-	118,659,156.75	97.58%	97.58%
Wuxin Copper Mining	Cost method	66,000,000.00	396,000,000.00	125,400,000.00	521,400,000.00	66%	66%
Kalatongka Mining	Cost method	10,000,000.00	-	10,000,000.00	10,000,000.00	100%	100%
Beijing Xinding	Cost method	100,000,000.00	-	100,000,000.00	100,000,000.00	100%	100%
			1,336,131,420.87	235,400,000.00	1,571,531,420.87		

(b) Joint-venture

	Accounting treatment	Initial investment cost	As at 31 December 2010	Share of profits	30 June 2011	Equity interest held	Voting rights held
Hexin Mining	Equity method	95,326,500.00	141,765,385.53	684,374.05	142,449,759.58	50%	50%

As at 30 June 2011, there was no indication of impairment on long-term equity investments (31 December 2010: Nil).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

12 Notes to the Company financial statements (continued)

(4) Revenue and cost of sales

	Six months ended 30 June 2011	Six months ended 30 June 2011
Revenue from main operation	430,973,716.83	536,946,537.09
Revenue from other operation	9,861,279.14	5,873,819.32
	440,834,995.97	542,820,356.41

	Six months ended 30 June 2011	Six months ended 30 June 2011
Cost of main operation	381,504,552.07	368,804,315.21
Cost of other operation	3,696,878.67	3,715,318.96
	385,201,430.74	372,519,634.17

(a) Revenue and cost of main operation

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Nickel cathode	362,253,743.88	319,140,256.45	422,106,001.24	289,038,442.31
Copper cathode	66,195,166.84	60,760,930.56	98,896,091.87	68,467,808.38
Others	2,524,806.11	1,603,365.06	15,944,443.98	11,298,064.52
	430,973,716.83	381,504,552.07	536,946,537.09	368,804,315.21

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

12 Notes to the Company financial statements (continued)

(4) Revenue and cost of sales (continued)

(b) Revenue and cost of other operation

	Six months ended 30 June 2011		Six months ended 30 June 2010	
	Revenue from other operation	Cost of other operation	Revenue from other operation	Cost of other operation
Scrap sales	5,999,262.55	791,980.93	1,770,522.69	96,935.85
Electricity sales	1,198,347.75	1,198,272.31	2,358,111.48	2,356,247.02
Materials sales	1,659,610.99	1,675,675.18	1,240,996.92	1,196,582.11
Others	1,004,057.85	30,950.25	504,188.23	65,553.98
	9,861,279.14	3,696,878.67	5,873,819.32	3,715,318.96

(c) Revenue of top five customers of the Company

Revenue of top five customers of the Company amounted to RMB382,440,385.51 for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB415,875,720.18), which accounted for 86.8% (six months ended 30 June 2010: 76.6%) of the total revenue of the Company. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Company (%)
Jiuquan Iron and Steel Group		
Tianfeng stainless steel Co., Ltd.	166,545,548.21	37.78%
Shaanxi Shenghua Nonferrous Metal Co., Ltd.	120,021,357.26	27.23%
Jiangsu Yuanhang Precision Alloy		
Technology Co., Ltd.	57,106,195.73	12.95%
Shenyang Chengtong Metal Co., Ltd.	20,661,407.99	4.69%
Xinjiang Zhonghe Co., Ltd.	18,105,876.32	4.11%
	382,440,385.51	86.76%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2011
(All amounts in RMB Yuan unless otherwise stated)

12 Notes to the Company financial statements (continued)

(5) Investment income/(losses)

	Six months ended 30 June 2011	Six months ended 30 June 2010
Income from subsidiaries	105,760,490.37	–
Income/(losses) from long-term equity investment under equity method	684,374.05	(1,465,997.47)
	106,444,864.42	(1,465,997.47)

(6) Supplementary information to statement of cash flows

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

	Six months ended 30 June 2011	Six months ended 30 June 2010
Net profit	115,953,848.23	149,801,455.12
Adjustment:		
Provisions for asset impairment	272,116.22	142,665.94
Depreciation of property, plant and equipment	23,090,543.81	16,273,299.57
Amortisation of intangible assets	5,820,223.20	5,931,768.66
Losses on disposal of property, plant and equipment	547,550.96	–
Investment (income)/losses	(106,444,864.42)	1,465,997.47
Increase in inventories	(196,919,111.88)	(39,367,299.19)
Increase in operating receivables	(7,988,568.38)	(103,533,049.69)
(Decrease)/increase in operating payables	(53,145,217.65)	3,039,455.77
Others	210,163.72	300,453.27
Net cash flows from operating activities	(218,603,316.19)	34,054,746.92

(b) Net decrease in cash and cash equivalents

	Six months ended 30 June 2011	Six months ended 30 June 2010
Cash and cash equivalents at end of period	573,906,241.01	1,952,029,041.82
Less: cash and cash equivalents at beginning of period	(1,134,663,666.60)	(2,178,089,645.63)
Net decrease in cash and cash equivalents	(560,757,425.59)	(226,060,603.81)



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