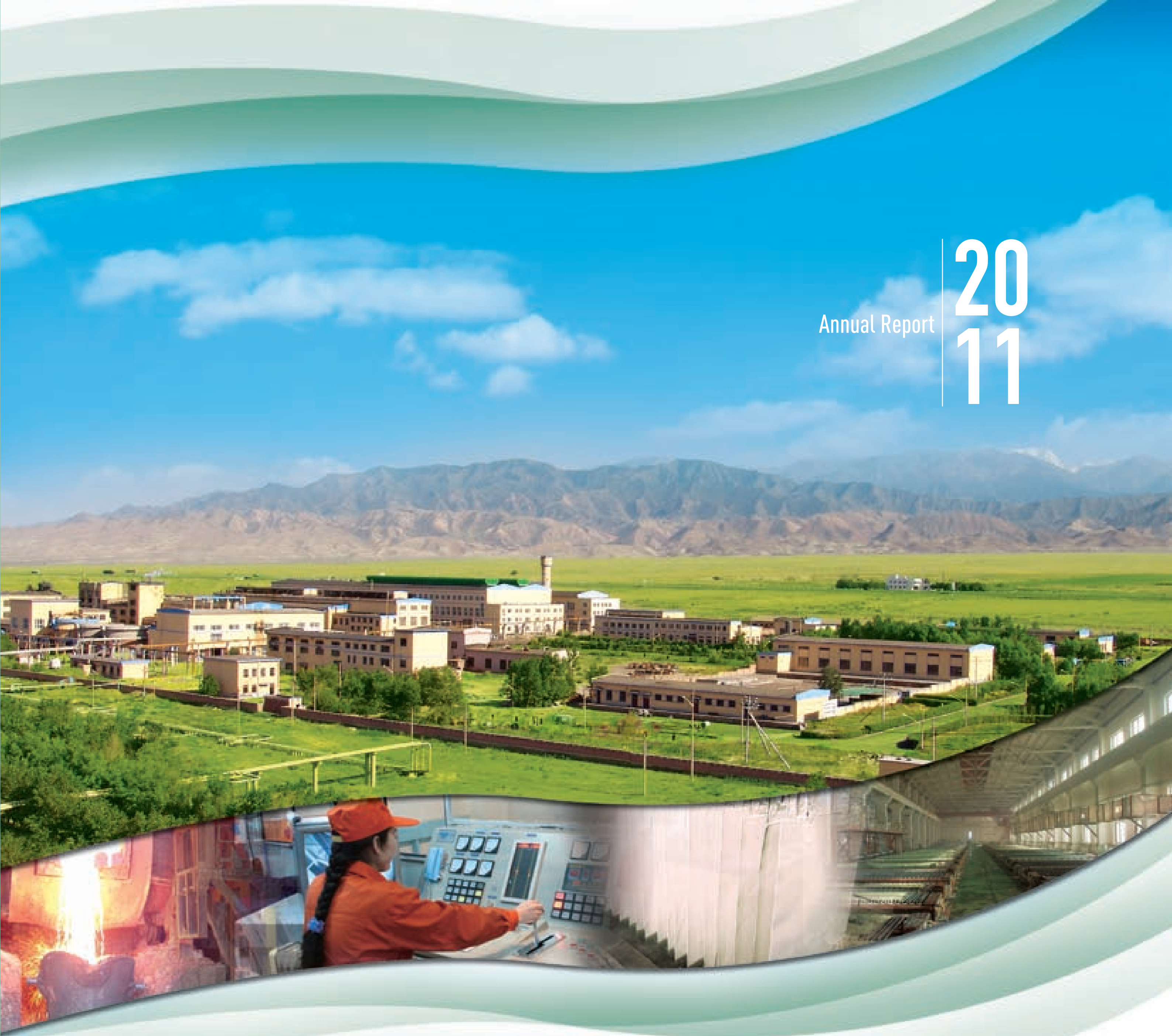
Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

Stock Code : 3833



Annual Report 2011

We See The Future

* *For identification purpose only*

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Corporate Information

Executive Directors

Yuan Ze *(Chairman)*
Shi Wenfeng
Zhang Guohua
Liu Jun

Non-executive Directors

Zhou Chuanyou
Niu Xuetao

Independent non-executive Directors

Chen Jianguo
Wang Lijin
Li Wing Sum, Steven

Supervisors

Jiang Mingshun
Sun Baohui
He Pingtao
Hu Zhijiang
Chen Yuping

Company secretaries

Lam Cheuk Fai *FCCA, FCPA*
Zhang Junjie

Audit committee

Chen Jianguo
Zhou Chuanyou
Li Wing Sum, Steven

Remuneration and Review Committee:

Mr. Chen Jianguo *(Chairman)*
Mr. Li Wing Sum, Steven
Mr. Wang Lijin
Mr. Niu Xuetao
Mr. Shi Wenfeng

Nomination committee

Mr. Yuan Ze *(Chairman)*
Mr. Chen Jianguo
Mr. Li Wing Sum, Steven

Strategic Development Committee

Mr. Yuan Ze *(Chairman)*
Mr. Shi Wenfeng
Mr. Zhang Guohua
Mr. Zhou Chuanyou
Mr. Wang Lijin

Authorised representatives

Zhang Guohua
Lam Cheuk Fai *FCCA, FCPA*
Li Wing Sum, Steven *(Alternate)*

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Legal advisers to the Company

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Beijing Grandfield Law Firm (PRC law)

Auditors

International and PRC auditors
PricewaterhouseCoopers Zhong Tian CPAs Limited Company

H Share Registrar in Hong Kong

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Public Relations

Wonderful Sky Financial Group Limited

Company website

www.xjxxky.com.cn or kunlun.wsfg.hk

Stock Code

3833

Corporate Information

Summary

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

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

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

In addition to the existing Kalatongke nickel-copper mine, the Company acquired three nickel-copper mines in Hami, Xinjiang, namely: Huangshandong (黃山東), Huangshan (黃山) and Xiangshan (香山) in 2009.

Resources and Reserves

The resources and reserves estimates for the deposits of the Group's mines at Kalatongke, Huangshandong, Huangshan and Xiangshan as at 31 December 2011 are set out in the following tables:

	Ore	**Grade**		**Metal contents**	
		Cu	**Ni**	**Cu**	**Ni**
	(t)	*(%)*	*(%)*	*(t)*	*(t)*
Resources as at 31 December 2011					
Kalatongke	34,397,676	0.99	0.56	340,584	192,001
Huangshandong, Huangshan, Xiangshan	84,661,895	0.27	0.45	230,747	380,557
Total	119,059,571			571,331	572,558
Reserves as at 31 December 2011					
Kalatongke Mine	21,736,435	1.00	0.61	217,341	133,556
Huangshandong, Huangshan, Xiangshan	33,965,193	0.30	0.49	103,362	168,212
Total	55,701,628			320,703	301,768

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

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

Basis of Preparation of Financial Statements

Adoption of the financial statements prepared in accordance with CAS (as defined below) for the purpose of compliance of the disclosure and listing requirements of the Stock Exchange.

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 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. According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by the Stock Exchange in December 2010, with effect from the financial year of 2011, the Company decided to use its financial statements (including 2010 comparative figures) as prepared in accordance with the "Accounting Standards for Business Enterprises" and other related regulations issued by the China Ministry of Finance (collectively referred as the "CAS") for the purpose of compliance of the disclosure and listing requirements of the Stock Exchange. 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 as prepared in conformity with the CAS are used for the purpose of compliance of the disclosure and listing requirements of the Stock Exchange.

A reconciliation of differences of consolidated net assets as at 31 December 2010 and consolidated net profit attributable to equity holders of the Company for the year ended 31 December 2010 between the 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
	Year ended 31 December 2010	31 December 2010
	RMB'000	*RMB'000*
Based on CAS	**350,211**	5,479,055
Difference		
– Reversal of difference of the fixed assets valuation gains *(Note)*	**(309)**	–
Based on HKFRS	**349,902**	5,479,055

Note: The difference represents the reversal of fixed assets 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 years from 2005 to 2010. Subsequently there is no accounting difference between the Company's CAS and HKFRS financial statements.

Summary of Financial Information

Results of operations

	Year ended 31 December				
	2007 *RMB'000* *(Note)*	2008 *RMB'000* *(Note)*	2009 *RMB'000* *(Note)*	2010 *RMB'000* *(Note)*	**2011** ***RMB'000***
Revenue	1,591,191	1,186,654	728,083	1,168,064	**1,454,643**
Operating profit	680,286	320,262	232,324	360,234	**246,562**
Total profit before income tax	676,704	286,328	222,231	352,016	**250,966**
Net profit	676,466	290,928	221,484	350,168	**190,415**
Total comprehensive income	676,466	290,928	221,484	350,168	**190,415**
Net profit/Total comprehensive income attributable to					
– Shareholders of the Company	678,956	290,925	221,684	350,211	**191,266**
– Minority interests	(2,490)	3	(200)	(43)	**(851)**
Earnings per share					
– basic and diluted *(RMB/share)*	0.409	0.132	0.100	0.158	**0.087**

Financial position

	As at 31 December				
	2007 *RMB'000* *(Note)*	2008 *RMB'000* *(Note)*	2009 *RMB'000* *(Note)*	2010 *RMB'000* *(Note)*	**2011** ***RMB'000***
Total assets	5,322,701	5,400,053	5,635,140	6,221,146	**7,244,187**
Total liabilities	220,265	173,689	349,692	526,030	**1,548,938**
Equity attributable to owners of the Company	5,102,436	5,216,560	5,239,344	5,479,056	**5,338,821**
Minority interests	–	9,804	46,104	216,060	**356,428**
Total shareholders' equity	5,102,436	5,226,364	5,285,448	5,695,116	**5,695,249**

Cash flows

	2007	2008	2009	2010	2011
Net cash flows generated from operating activities	758,213	292,048	62,833	85,766	**(156,459)**

Total shares (Number of shares)

	2007	2008	2009	2010	2011
Domestic shares	1,451,000,000	1,451,000,000	1,451,000,000	1,451,000,000	**1,451,000,000**
H Shares	759,000,000	759,000,000	759,000,000	759,000,000	**759,000,000**
	2,210,000,000	2,210,000,000	2,210,000,000	2,210,000,000	**2,210,000,000**

Note: For the 2011 financial information to be comparable, the summary of financial information of the Group for the years of 2007 to 2010 has been prepared in accordance with the CAS.

Chairman's Statement

Dear Shareholders,

I would like to extend my gratitude for your confidence and support to Xinjiang Xinxin Mining Industry Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"). I am pleased to report the operating results of the Group for the year ended 31 December 2011 (the "Reporting Year "or "Year"):

Market Overview

As known to everyone, due to the effects of the debt crisis in Europe, the global economic recovery in 2011 was tardy, although the Chinese economy continued to achieve robust growth, the speed of growth has slowed down. With the aforesaid effects, the international and domestic prices of nickel and copper increased initially but decreased eventually in 2011.

In 2011, London Metal Exchange ("LME") average three-month future price of nickel cathode was US$22,931 per tonne, representing an increase of 4.9% as compared to 2010. Among which, January to June 2011 was US$25,629 per tonne, which increased by 20.4% as compared to the corresponding period in 2010; July to December 2011 was US$20,233 per tonne, representing a decrease of 9.9% as compared with the same period of 2010. The average three month future price of copper cathode was US$8,836 per tonne, representing an increase of 17.0% as compared to 2010. Among which, January to June 2011 was US$9,406 per tonne, which increased by 31.4% as compared to the corresponding period in 2010; July to December 2011 was US$8,266 per tonne, representing an increase of 4.0% as compared to the same period of 2010.

In 2011, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB171,705 per tonne, representing an increase of 3.4% as compared to 2010. Among which, January to June 2011 was RMB194,101 per tonne, which increased by 21.3% as compared to the same period of 2010; July to December 2011, was RMB149,309 per tonne, representing a decrease of 13.3% as compared to the same period of 2010. The average spot price (including tax) of copper cathode was RMB66,291 per tonne, representing an increase of 12.4% as compared to 2010. Among which, January to June 2011 was RMB70,582 per tonne, which increased by 23.4% as compared to the same period of 2010; July to December 2011 was RMB61,999 per tonne, representing an increase of 2.1% as compared to the same period of 2010.

For the year of 2011, the domestic price trend of nickel cathode and copper cathode was basically in line with the international market.

In 2011, the Group recorded an average selling price (excluding tax) of nickel cathode of RMB136,887 per tonne, representing a decrease of 2.2% as compared to 2010. Among which, January to June 2011 was RMB159,708 per tonne (excluding tax), which increased by 19.9% as compared to the same period of 2010; July to December 2011 was RMB127,435 per tonne (excluding tax), representing a decrease of 13.4% as compared to the same period of 2010. The average selling price of copper cathode was RMB54,086 per tonne (excluding tax), representing an increase of 9.6% as compared to 2010. Among which, January to June 2011 was RMB59,104 per tonne (excluding tax), which increased by 23.7% as compared to the same period of 2010; July to December 2011 was RMB52,696 per tonne (excluding tax), representing an increase of 3.3% as compared to the same period of 2010.

For the year of 2011, although the recovery of the global economy had been slowed down due to the effects of the debt crisis in Europe, the economy of China has continued to grow at a fast pace and there existed relative shortage in supply of nickel and copper resources. Consequently, the output of nickel cathode and copper cathode products of the domestic manufacturers was unable to meet the consumption demand and this was eased by substantial import, which caused active and large volume transactions in the domestic market of nickel cathode and copper cathode.

Industry Position

The Group is principally engaged in the mining, ore processing, smelting and refining of nickel products and other non-ferrous metals, (namely, copper, cobalt, gold, silver, platinum and palladium). According to the statistics of China Non-ferrous Metals Industry Association, the total domestic output of nickel cathode for the year of 2011 was 185,200 tonnes, representing an increase of 8.1% as compared to 2010. With an output of 8,128 tonnes of nickel cathode for the year of 2011, the Group has become the second largest domestic manufacturer of nickel cathode produced with nickel sulfide resources.

Business Review

Production and Operation

During 2011, the Group endeavoured to enhance its overall economic benefits through major measures such as lifting its technical and economic indicators through well performing the trial run and commissioning of technological renovation and expansion projects in order to fulfill planned production volume and attain stated targets as soon as possible, enhancing fundamental management to lower the production cost and increasing the outsourcing volume of raw materials to raise the production of nickel cathode.

For the year of 2011, the Group recorded a total nickel cathode output of 8,128 tonnes, representing an increase of 36.9% as compared to 2010. Among which, January to June 2011 was 2,720 tonnes, which decreased by 11.0% as compared to the same period of 2010; July to December 2011 was 5,408 tonnes, representing an increase of 87.8% as compared to the same period of 2010. Total copper cathode output was 5,339 tonnes, representing an increase of 30.8% as compared to 2010. Among which, January to June 2011 was 1,414 tonnes, which decreased by 35.0% as compared to the same period of 2010; July to December 2011 was 3,925 tonnes, representing an increase of 106.1% as compared to the same period of 2010.

For the year of 2011, the Group recorded total nickel cathode sales of 7,745 tonnes, representing an increase of 25.5% as compared to 2010. Among which, January to June 2011 was 2,268 tonnes, which decreased by 28.4% as compared to the same period of 2010; July to December 2011 was 5,477 tonnes, representing an increase of 82.4% as compared to the same period of 2010. Total copper cathode sales was 5,161 tonnes, which increased by 29.2% as compared to 2010. Among which, January to June 2011 was 1,120 tonnes, representing a decrease of 45.9% as compared to the same period of 2010; July to December 2011 was 4,041 tonnes, representing an increase of 109.9% as compared to the same period of 2010.

Chairman's Statement

In the year of 2011, while the production volume and sales volume of the Group increased as compared with 2010, the operating performance of the Group in 2011 decreased as compared with last year as a result of the following: the decrease in this year annual average selling price of nickel cathode, our major product, as compared with 2010, as caused by majority of the production volume and sales volume of nickel cathode generated in the second half of the year due to the basic completion of the trial run and commissioning of the technological renovation and expansion projects occurred in late June 2011, while the average selling price of nickel cathode in the second half of the year decreased as compared with same period of last year; and the average unit production cost of the Group increased in 2011 from 2010 under the impact of the general inflation in the PRC, the lower self-sufficiency rate and the trial run and commissioning of the technological renovation and expansion projects.

In the year of 2011, the Group achieved revenue of RMB1,454.6 million, representing an increase of 24.5% as compared to 2010, with comprehensive income for the year attributable to shareholders of the Company of RMB191.3 million, representing a decrease of 45.4% as compared to 2010, and the earnings per share (basic and diluted earnings per share) was RMB0.087, representing a decrease of 44.9% as compared to 2010.

In respect of mineral exploration, for the year of 2011, Kalatongke Copper-nickel Mine under Xinjiang Xinxin Mining Industry Co., Ltd ("Kalatongke Copper-nickel Mine") mainly carried out the general exploration of Tuerkuban Copper-nickel Mine in Burqin, Xinjiang, the detailed prospecting in the outskirt of Kalatongke Copper-nickel Mine, the production exploration of No. 1 Ore Deposit 926 Horizontal of Kalatongke Copper-nickel Mine, the production exploration of the east of No. 1 Ore Deposit 710 Horizontal of Kalatongke Copper-nickel Mine, the verification of abnormal high power charge in the western ore body well of No.2 Ore Deposit of Kalatongke Copper-nickel Mine, the supplementary exploration of the east of the Ore body in No.2 Ore Deposit of Kalatongke Copper-nickel Mine, the supplementary exploration of No.9 Ore Deposit of Kalatongke Copper-nickel Mine etc., and in total completed tunnel exploration of 317m, 5,352m of drilling in pit, 2,449 m of surface drilling, TEM profiling of 21,000m and induced polarization profiling of 28 points; Xinjiang Yakesi Resources Co., Ltd. ("Xinjiang Yakesi") and Hami Jubao Resources Co., Ltd. ("Hami Jubao") mainly carried out the supplementary geological exploration of Xiangshan Copper-nickel Mine, the production exploration of Xiangshan Copper-nickel Mine, the infrastructure exploration of Huangshandong Copper-nickel Mine, the production exploration of No.12 Ore Zone (Line 11-6) of Huangshandong Copper-nickel Mine, and the production exploration of No.17 Ore Zone (Line 6-16) of Huangshandong Copper-nickel Mine etc., and in total completed 650m of following-vein and through-vein drifting works, 162m of mine chamber works, 13,647m of drilling in pit, 2,308m of surface drilling, 4,980m of geological induced polarization profiling, 1 km^2 of geophysical precision magnetic survey and 31 points of induced polarization survey. In the Reporting Year, the total amount of expenditure that the Group expended on exploration activities was approximately RMB4.9 million.

In respect of mining development, for the year of 2011, Kalatongke Copper-nickel Mine mainly accomplished 475 m of excavation works at No. 4 wind well and the supplementary projects for the transition from wind well to drifting excavation, 675 m of drifting excavation at No.3 Ore Deposit, the constructions of main chutes of No. 1 and 2 ore bodies and slope supporting of 700m, drifting excavation of 450m, the installation of horizontal belt well from level 260m to level 375m, construction of horizontal explosive depot on level 530m, constructions of sump, pumping room and substation mine chamber on level 410m, and ramps in horizontal mining area on level 530m, as well as sectional drifting excavation of 800m; Xinjiang Yakesi and Hami Jubao mainly carried out the installation of well bore of vertical shaft and ground surface hoisting and lifting system in Line 16 of No.17 Ore body in Huangshandong, the renovation of lifting system at No. 1 vertical shaft of Line 12 in Huangshandong, the construction of the main well and auxiliary well of the No. 30 ore body in Huangshanxi, 2,119m of drifting excavation of wind wells No. 1 and 2, the development and approved constructions of No. 32 ore body of Huangshanxi, as well as the technological reformation in mine No. 12 of Huangshandong. During the Reporting Year, the total mining development expenses of the Group amounted to approximately RMB318.5 million.

In respect of ore mining, for the year of 2011, Kalatongke Copper-nickel Mine produced 491,615 tonnes of ore while Xinjiang Yakesi and Hami Jubao produced 603,380 tonnes. During the Reporting Year, the total ore mining expenses of the Group amounted to approximately RMB232.4 million.

In respect of ore processing, for the year of 2011, Kalatongke Copper-nickel Mine produced 58,620 tonnes of nickel-copper combined concentrate, while Xinjiang Yakesi and Hami Jubao produced 30,488 tonnes of nickel concentrate and 3,000 tones of copper concentrate.

In respect of smelting and refining processing operation, for the year of 2011, Kalatongke Copper-nickel Mine produced 11,429 tonnes of water hardening and nickel matte. Xinjiang Zhongxin Mining Company Limited ("Zhongxin Mining") produced 9,583 tonnes of water hardening and nickel matte. Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd. ("Fukang Refinery") manufactured 8,128 tonnes of nickel cathode and 5,339 tonnes of copper cathode.

In respect of sales business, for the year of 2011, the Group achieved income from principal businesses of RMB1,408.8 million, which comprised RMB1,060.2 million of sales income from nickel cathode, accounting for 75.3% of the income from principal businesses of the Group, and RMB279.1 million of sales income from copper cathode, accounting for 19.8% of the income from principal businesses of the Group. Other products (including copper concentrate, electrolytic cobalt, gold, silver, platinum and palladium), achieved a sales income of RMB69.5 million, representing 4.9% of the income from principal businesses of the Group.

During the Reporting Year, due to the effects of the general inflation in the PRC and the trial production and commissioning of the technological renovation and expansion projects of Kalatongke Copper-nickel Mine, the production volume and sales volume of nickel cathode and copper cathode of the Group from January to June 2011 decreased as compared to the corresponding period of 2010, and the average production cost of the Group in 2011 increased as compared to the same period of 2010. Apart from that, the overall production operation of the Group was in general stable and in good condition in 2011, with no material operation difficulties or operation issues being encountered.

Progress of Technological Renovation and Expansion Projects and Infrastructure Projects

During the Reporting Year, the main technological renovation and expansion projects and infrastructure project carried out by the Group included the technological renovation and expansion project for the enhancement in mining, ore processing and smelting capacity of Kalatongke Copper-nickel Mine, the technological renovation and expansion project for refining the auxiliary facilities of Fukang Refinery to enhance the systematic refining capacity of nickel and copper, the technological renovation and expansion project of adding new mining and ore processing capacity to Xinjiang Yakesi, as well as the infrastructure project of Xinjiang Wuxin Copper Company Limited ("Xinjiang Wuxin") with an annual output of 100,000 tonnes of copper cathode. The technological renovation and expansion projects and the infrastructure projects of the Group proceeded smoothly as a whole in 2011 and the required progress of works was achieved on time during the Reporting Year. A total investment of RMB1,234.2 million has been made, including:

During the Reporting Year, a total of RMB234.4 million was invested in the technological renovation and expansion projects for enhancing the mining, ore processing and smelting processes of Kalatongke Copper-nickel Mine. Among which, the mining segment was basically completed in late 2011 and commenced partial production; the ore processing segment has completed trial production and technical fine-tuning and test in September 2010; the smelting segment has completed trial production and technical fine-tuning and test in June 2011.

During the Reporting Year, a total of RMB72.1 million was invested in the further improvement of the technological renovation and expansion projects of 13,000 tonnes of nickel cathode and 12,000 tonnes of copper cathode of Fukang Refinery. Among which, the segment of 13,000 tonnes of nickel cathode has completed the transition from the old system to the new system and the linkage trial run and commenced production by the end of 2010; the segment of 12,000 tonnes of copper cathode has completed the transition from the old system to the new system and the linkage trial run by the end of 2011.

As for the technological renovation and expansion projects of Xinjiang Yakesi in relation to the addition of daily mining and ore processing capacity of 4,000 tonnes, a total investment of RMB242.6 million was made during the Reporting Year.

With respect to the infrastructure projects of Xinjiang Wuxin with an annual output of 100,000 tonnes of copper cathode, a total investment of RMB685.1 million was made during the Reporting Year.

Equity Investments

In May 2011, the Company invested RMB10.0 million to establish Xinjiang Kalatongke Mining Industry Co., Ltd., with 100% equity interest of Xinjiang Kalatongke Mining Industry Co. Ltd. held by the Company.

In June 2011, the Company, together with Xinjiang Ashele Copper Industry Co., Ltd., a connected person of the Company, jointly completed the increase of capital in Xinjiang Wuxin in the amount of RMB190.0 million, in which the Company based on its original proportion of shareholding, contributed RMB125.4 million in the capital in Xinjiang Wuxin. Upon the completion of the capital increase, the registered capital of Xinjiang Wuxin increased from RMB600.0 million to RMB790.0 million, and the proportion of equity interests of the Company in Xinjiang Wuxin remains at 66.0%.

In July 2011, the Company invested RMB100.0 million to establish Beijing Xinding Shunze High-tech Co., Ltd. (北京鑫鼎順澤高科技有限責任公司), with 100% equity interest of Beijing Xinding Shunze High-tech Co., Ltd. held by the Company.

In October 2011, the Company invested RMB80.0 million to acquire 51% equity interest in Shaanxi Xinxin Mining Co., Ltd (陝西新鑫礦業有限責任公司), which was held by Shaanxi Mingtai Engineering Construction Co., Ltd. (陝西明泰工程建設有限責任公司), an independent third party of the Company. Upon completion of the acquisition, the Company owns 51% equity interest in Shaanxi Xinxin Mining Co., Ltd..

Environmental Protection and Safety

The Group applies and implements scientific development concepts and the policies of "Safety First, Precaution Foremost" and "Equal Emphasis on both Development and Protection" earnestly to ensure its production safety and enforce environmental governance. In 2011, the Group achieved its target of production safety. The environmental governance is stringently observed in compliance with the relevant national laws and regulations.

Outlook

Operating Environment

In the year of 2012, even the global economy remains in a slow recovery stage, and there are more uncertainties affecting the recovery of global economy, the Chinese economy still maintains robust growth (the PRC government forecasts China's GDP growth rate target for the year 2012 to be 7.5%), but the pace of growth has slowed down. The Group expects the consumption volume of nickel cathode and copper cathode in the domestic non-ferrous metal market to keep on growing in 2012. Due to the comparative shortage in the supply of nickel and copper resources, nickel cathode and copper cathode products from domestic manufacturers are still unable to satisfy the domestic consumption demand in 2012 and substantial import is required to ease the shortage in supply from the domestic market. In 2012, transactions will remain active in the domestic market of nickel cathode and copper cathode.

The Group expects the annual average domestic market prices of nickel cathode and copper cathode for the year of 2012 to continue to rise slowly subject to fluctuation on the basis of the average spot prices in Shanghai Yangtze River Non-ferrous Metals Market for the second half of 2011.

Operational Objectives

For the year of 2012, the Group plans to produce 10,000 tonnes of nickel cathode, representing an increase of 23.0% as compared to 2011; and 7,233 tonnes of copper cathode, representing an increase of 35.5% as compared to 2011. Please be cautioned that because of quite a number of uncertainties in metal prices and the domestic raw materials market, the above plan has been made merely on the basis of the current market situation and the existing conditions of the Group. The Board may adjust the relevant production plan according to the changes of situation.

Chairman's Statement

Business Strategies

Production and Operation

In the year of 2012, as there are more uncertainties that may affect the recovery of the global economy, the Group will observe the trend of development of international and domestic nickel and copper markets in a prudent manner. Moreover, 2012 is the critical year for various technological renovation and expansion projects of the Group to attain stated targets and fulfill planned production volume and the gradual substantiation of the production capacity. The Group shall complete supplementary enhancement of the technological renovation and expansion projects in order to meet the stated targets and planned production volume as soon as possible, and base on this foundation, fully explore its internal potential, strive to increase output and income, and reduce its production cost with an aim to generating greater economic benefits.

Projects Construction Work

For the year of 2012, Kalatongke Copper-nickel Mine will undergo further enhancement of its technological renovation and expansion project in mining, ore processing and smelting capabilities in order to ensure that the project will be able to attain its designed production capacity as expected in 2013, with daily mining and ore processing capabilities of 3,400 tonnes and 3,000 tonnes respectively, as well as annual production capability of 8,000 tonnes of water hardening and nickel matte. In 2012, Kalatongke Copper-nickel Mine plans to invest RMB67.0 million.

For the year of 2012, Fukang Refinery will undergo an enhancement of its technological renovation and expansion project of 13,000 tonnes of nickel cathode and 12,000 tonnes of copper cathode in order to ensure the sustainable and stable production of the overall projects, and carry out the relevant preliminary preparation work for the technological renovation and expansion projects regarding the ongoing increase of production capacity of nickel cathode and copper cathode. In 2012, Fukang Refinery plans to invest RMB90.5 million.

For the year of 2012, we plan to invest RMB365.6 million in the technological renovation and expansion project of Xinjiang Yakesi in relation to the addition of 4,000 tonnes of mining and ore processing daily capacity. The construction of the entire project is expected to be completed by the end of 2012 and trial production will be commenced by then. It is expected to reach the designed production capacity by the end of 2014 with mining and ore processing production capacity of 5,500 tonnes per day.

For the year of 2012, we plan to invest RMB1,299.6 million in the construction project of 100,000 tonnes of copper cathode of Xinjiang Wuxin. The construction of the project is expected to complete by the end of 2012 and trial operation will be commenced accordingly.

For the year of 2012, Zhongxin Mining plans to invest RMB1.2 million for the enhancement of the existing techniques and the preliminary preparation work of the technological renovation and expansion project for increasing the production capacity of water hardening and nickel matte.

Mineral Resources Control and Search for Mines by Geological Means

Mineral resources are the fundamental guarantee for the continuing development of a mining company. After all, the control of mineral resources and the search for mines by geological means are the core components of the business development of the Group. The Group places great emphasis on searching for preliminary mining projects with potentials for acquisition, enhances in-depth exploration, extends exploration in the surrounding areas of its existing major mines, and applies effective mine searching methods to achieve greater growth of the mineral resources of the Group. For the year of 2012, the Group plans to invest RMB19.7 million in the in-depth exploration and extension of exploration in the surrounding area of existing major mines resources and the search for mines by geological means. In particular, Kalatongke Copper-nickel Mine plans to invest RMB10.5 million in exploration. Xinjiang Yakesi and Hami Jubao plan to invest RMB9.2 million in exploration.

Mergers and Acquisition

The Company has placed great emphasis on mergers and acquisition of enterprises since its listing. Following the successful acquisition of various mining companies including Xinjiang Yakesi, Hami Jubao, Zhongxin Mining, Shaanxi Xinxin Mining Co. Ltd. (陝西新鑫礦業有限責任公司) and Hami Hexin Mining Company Limited (in which the Company holds 50% equity interest), the Group's nickel and copper resources and reserves as well as its subsequent development and production capacity increase about twofold. The acquisitions have further optimized the Group's production chain, strengthened its core competitiveness and uplifted the operational efficiency of assets as a whole. In the year of 2012, the Group will fully utilize its strength to enhance merger and acquisition, initiate economic cooperation and capture the opportunities of merger and acquisition in the international and the domestic metal markets. The Group will strengthen scientific demonstration and business operation of the selected targets of mergers and acquisition, and strive for new breakthrough in terms of merger and acquisition of enterprises and capital operation leading to the new milestone of the Group.

2012 is a year both of opportunities and challenges for the Group. The Group will take proactive strategic plans to cope with the difficult environment in this ever-changing global economy and its sluggish recovery so that the Group can achieve a rapid growth under an operating condition featuring high efficiency and low-cost. We have an experienced management team which assures that the Group is able to operate more effectively under such ever-changing market conditions. With strong balance sheet, abundant resources and reserves, the gradual realization of the enhanced production capability brought by the technological renovation and expansion projects in 2011 and a favorable industry position as well as in an industry where production capacity growth has been constrained by the shortage in resources will enable us to enjoy sufficient benefits when the world economy further improves. The Group believes that with the joint efforts of its staff and the tremendous support from various sectors of the society, the Group will continue to develop rapidly in 2012.

By Order of the Board
Yuan Ze
Chairman

Xinjiang, the PRC
16 March 2012

Management Discussion and Analysis

OPERATING RESULTS

In 2011, the revenue of the Group amounted to RMB1,454.6 million, representing an increase of 24.5% as compared to RMB1,168.1 million in 2010. The comprehensive income of the Group amounted to RMB190.4 million, representing a decrease of 45.6% as compared to RMB350.2 million in 2010. The comprehensive income attributable to shareholder of the Company amounted to RMB191.3 million, representing a decrease of 45.4% as compared to RMB350.2 million in 2010.

In 2011, the growth in the Group's revenue was primarily due to the increased volume of production and sale of our products. The reasons for the decrease in comprehensive income of the Group as compared with last year were: the annual average selling price of nickel cathode, which is the major product of the Group, declined as compared to last year; as caused by the general inflation in the PRC, the increase in external purchase volume of nickel containing raw materials, as well as the trial run and commissioning of the technological renovation and expansion projects of Kalatongke Copper-nickel Mine, the average production unit cost of 2011 increased as compared to that of 2010; since the Company has not yet obtained the approval from the Xinjiang Government in the next round of the Preferential Tax Policy of National Western Development Programme, the Company's Enterprise Income Tax for 2011 was temporarily calculated at a tax rate of 25%, which caused the significant increase in the Enterprise Income Tax of the Group in 2011 as compared to 2010.

OPERATING REVENUE AND GROSS PROFIT OF THE PRINCIPAL BUSINESSES

The following table illustrates the details of sales by products of the Group for the two years ended 31 December 2011 and 2010:

	For the year ended 31 December 2011			For the year ended 31 December 2010			
Product Name	**Sales Volume** ***Tonnes***	**Amount** ***RMB'000***	**% to** ***Revenue***	Sales Volume *Tonnes*	Amount *RMB'000*	% to *Revenue*	Amount *+/(-)*
Nickel cathode	**7,745**	**1,060,176**	**75.3%**	6,170	863,833	76.8%	22.7%
Copper cathode	**5,161**	**279,117**	**19.8%**	3,994	197,099	17.5%	41.6%
Copper concentrate	**2,884**	**36,773**	**2.6%**	2,091	25,491	2.3%	44.3%
Other Products		**32,753**	**2.3%**		38,740	3.4%	(15.5%)
Total revenue of the principal businesses		**1,408,819**	**100.0%**		1,125,163	100.0%	25.2%
Cost of sales		**(1,035,949)**	**73.5%**		(685,375)	60.9%	51.2%
Gross profit		**372,870**	**26.5%**		439,788	39.1%	(15.2%)

In 2011, the revenue of nickel cathode amounted to RMB1,060.2 million, an increase of 22.7%, mainly attributable to the Group's increase in the production and sales of nickel cathode, this increase was partly set-off by the decrease in price. Since the trial run and commissioning of the smelting technological renovation and expansion projects of Kalatongke Copper-nickel Mine were basically completed in late June 2011, majority of the production volume and sales volume of nickel cathode of the year was generated in the second half of the year, while the price of nickel cathode in the second half of the year has decreased as compared to the corresponding period of the previous year, the annual average selling price of nickel cathode thus decreased as compared to the previous year. The average selling price of the Group's nickel cathode in 2011 amounted to that of RMB136,887 per tonne, representing a decrease of 2.2% as compared to the average selling price of RMB139,999 per tonne in 2010. The Group's sales volume of nickel cathode was 7,745 tonnes, representing an increase of 25.5% as compared to 6,170 tonnes in 2010.

In 2011, the revenue of copper cathode amounted to RMB279.1 million, an increase of 41.6%, primarily attributable to the increase in production and sale of the Group and the surge in price of copper cathode of the Group. The sales volume of copper cathode of the Group in 2011 was 5,161 tonnes, representing an increase of 29.2% as compared to 3,994 tonnes in 2010. The average selling price of the Group's copper cathode amounted to RMB54,086 per tonne, representing an increase of 9.6% as compared to the average selling price of RMB49,346 per tonne in 2010.

In 2011, the revenue of copper concentrate amounted to RMB36.8 million, an increase of 44.3%, due to the increases in price and sales of copper concentrate. The average selling price of copper concentrate of the Group in 2011 was RMB12,753 per tonne, representing an increase of 4.6% as compared to the average selling price of RMB12,191 per tonne in 2010. The sales amount of copper concentrate of the Group was 2,884 tonnes, representing an increase of 37.9% as compared to 2,091 tonnes in 2010.

In 2011, the revenue of other products amounted to RMB32.8 million, a decrease of 15.5%, mainly resulted from the decrease in sales of platinum and palladium and the drop in price of platinum.

Gross profit of the Group decreased by 15.2% from RMB439.8 million in 2010 to RMB372.9 million in 2011, the gross profit margin recorded in 2011 was 26.5%, representing a decrease as compared with 39.1% in 2010. The main reasons for the decrease in gross profit margin were: the annual average selling price of nickel cathode decreased as compared to the previous year; the external purchase volume of nickel containing raw materials was increased according to the supply condition of the domestic raw material market in order to increase the production volume of nickel cathode, and together with the impact of the general inflation in the PRC, the trial run and commissioning of the technological renovation and expansion projects of Kalatongke Copper-nickel Mine, the production unit cost in 2011 was thus higher than that in 2010.

SELLING AND DISTRIBUTION EXPENSES

Selling and marketing expenses increased by 89.5%, as compared to the previous year, to RMB11.8 million, mainly due to the increase in sales of nickel cathode and copper cathode during the Reporting Year, which also led to the increase in the transportation fees as well as the custodial fees.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 13.5% comparing to last year to RMB135.7 million, primarily due to the increase in employees' salaries and the compensation fee of mining resources.

FINANCE INCOME – NET

The finance income -net decreased by 61.3% from RMB37.5 million in 2010 to RMB14.5 million in 2011, primarily due to the decline in interest income year-on-year as a result of the decrease in average cash and bank balance and the increase in the average interest expense of borrowings for working capital in 2011.

FINANCIAL POSITION

The Group's consolidated balance sheet remained solid. Shareholders' equity increased from RMB5,695.1 million to RMB5,695.2 million in 2011. Total assets increased by 16.5% to RMB7,244.2 million, primarily due to the increase in bank loans and operation profit generated in the year.

In 2011, the net cash outflow generated by the Group's operating activities amounted to RMB156.5 million, as compared to the net cash inflow of RMB85.8 million in the last year, there was a decrease in the net inflow of RMB242.3 million, primarily due to a decrease in operation profit, significant increase in notes receivable as compared to last year and the increase in reserve of raw material with nickel for expanding the Group's production scale. The net cash outflow used in the Group's investment activities was RMB1,273.1 million, which was mainly used in purchasing equipment and as the construction costs of the Group's various technology renovation and expansion projects, and for acquiring the 51% equity interest in Shaanxi Xinxin Mining Co., Ltd., which was held by Shaanxi Mingtai Engineering Construction Co., Ltd.. The net cash inflow generated by financing activities amounted to RMB496.4 million. The cash inflow mainly came from the bank loan received by the Company and the capital injection by another shareholder of Wuxin Copper. The cash outflow was mainly attributable to the dividend paid by the Company in 2011 and the repayment of bank loans and interest.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had total cash and cash equivalents amounting to RMB568.5 million (2010: RMB1,501.70 million), and the bank loans of the Group amounted to RMB819 million (2010: RMB30 million).

	As at 31 December 2011	As at 31 December 2010
Current ratio (times)	**2.3**	6.6
Gearing ratio (borrowings/total assets)	**11.3%**	0.48%

COMMODITY PRICE RISK

The prices of the Group's products are influenced by 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 economic cycles as well as the fluctuations of the global currency markets. Both the international and domestic market prices of non-ferrous metals as well as the volatility of their supply and demand are beyond the control of the Company. Therefore, the volatility of commodity prices may materially affect the turnover and the comprehensive income of the Group. 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 Group are all denominated in Renminbi. Fluctuations in 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 into a basket of currencies may involve fluctuations. In light of further actions and measures adopted for free transactions of Renminbi by the PRC government, fluctuations in exchange rates may adversely affect the value, translated or converted into Hong Kong dollars, of the Group's net assets, earnings and any dividends declared.

INTEREST RATE RISK

All the borrowings of the Company are bank loans. Any increase in the interest rate will cause the increase in the cost of debt financing of the Company. As at 31 December 2011, the interest-bearing borrowings of the Group are mainly floating-rate contract loans, which are denominated in Renminbi. As the bank loans of the Group is greater than the bank deposits, the Group is exposed to cash flow interest rate risk.

CHARGE ON ASSETS

As at 31 December 2011, the Group had pledged notes receivable in the amount of RMB19.53 million to the bank as guarantee for the issuance of notes payable, and included in cash at bank and on hand was restricted cash at banks amounted to RMB43.0 million set aside as the security and deposits for issuing bank notes payable and other purposes. Save as disclosed, the Group did not have any other charges or pledges of its assets as at 31 December 2011.

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 expenditure of each operation over total capital expenditure for the year ended 31 December 2011 based on various categories of operations:

	Year ended 31 December 2011	
		Percentage
	RMB'000	**%**
Mining, ore processing, smelting and complementary operations in Kalatongke Mine	**254,099**	**19.6%**
Refining and complementary operations in Fukang Refinery	**70,992**	**5.5%**
Exploration cost in Mengxi Mining	**4,533**	**0.4%**
Mining and ore processing operations in Xinjiang Yakesi	**240,112**	**18.6%**
Mining operation in Hami Jubao	**20,528**	**1.6%**
Smelting and complementary operations in Hami Zhongxin	**14,455**	**1.1%**
100,000 tonnes of copper smelting operation of Wuxin Copper	**689,153**	**53.2%**
Total	**1,293,872**	**100.0%**

EMPLOYEES

As at 31 December 2011, the Group had a total of 3,468 full-time employees. Breakdowns by function and division are as follows:

Division	Employees	Total (in percentage)
Management and administration	185	5.3%
Engineering technician	484	14.0%
Production staff	2,102	60.6%
Repair and maintenance	501	14.4%
Inspection	179	5.2%
Sales	17	0.5%
Total number of employees	3,468	100.0%
Total employee remuneration for the year ended 31 December 2011 (RMB'000)		264,409*

* Details of breakdowns as disclosed in Note 7(20) to the Financial Statements.

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by the local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, employment insurance and housing provident funds. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, employment 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.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yuan Ze (袁澤), aged 62, has been the Chairman of the Company since September 2005. Mr. Yuan completed a postgraduate course in natural geography at Nanjing University (南京大學) in December 1997. From October 1998 to January 2002, he served as the secretary of the communist party committee of Xinjiang Non-ferrous Industry Co. (新疆有色金屬工業公司). Since January 2002 and up to present, Mr. Yuan has served as the secretary of the communist party committee and chairman of Xinjiang Non-ferrous Metal Industry (Group) Ltd. (新疆有色金屬工業(集團)有限責任公司) ("Xinjiang Non-ferrous"). Mr. Yuan received the Xinjiang Uygur Autonomous Region Model Labour Award (新疆維吾爾自治區勞動模範殊榮) in 2005 and 2007 and was elected a representative of the National People's Congress in March 2008. Mr. Yuan received the National Model Labour Special Award (全國勞動模範殊榮) awarded by the State Council in 2010.

Mr. Shi Wenfeng (史文峰), aged 44, has been a Director and the general manager of the Company since September 2005. Mr. Shi graduated from the Department of Chemical Engineering of Chengdu University of Science and Technology (成都科技大學) with a Bachelor's degree in engineering, majoring in the metallurgy of non-ferrous metals from September 1985 to July 1989 and is a senior engineer in Metallurgy. Mr. Shi has accumulated more than 19 years of experience in the smelting industry. From September 1993 to January 1994, he served as the deputy head of the central refinery workshop of the Fukang Refinery (阜康冶煉廠). From November 1994 to January 1995, he served as the head of the production division of Fukang Refinery (阜康冶煉廠). From February 1995 to March 1998, he served as the assistant head of Fukang Refinery (阜康冶煉廠). From March 1998 to January 2002, he served as the deputy head of Fukang Refinery (阜康冶煉廠). From January 2002 to August 2005, he served as the head of Fukang Refinery (阜康冶煉廠). Mr. Shi received the National Model Labour Award (全國勞動模範殊榮) awarded by the State Council in 2005, and he received the Scientific and Technological Progress First Prize (科學技術進步一等獎) 1995 and 2002 awarded by the National Committee of Science and Technology of the PRC (國家科學技術委員會) and the People's Government of Xinjiang, respectively, for his contribution to the development of the wet process in the refining of nickel and the development of technology and production application in extracting copper and precious metals from smelting tailing of nickel ore.

Mr. Zhang Guohua (張國華), aged 47, has been a Director and the Executive Deputy General Manager of the Company since September 2005. He completed a postgraduate course in management science and engineering at Dalian University of Technology in November 2003. From October 1988 to December 1993, he served as a deputy section leader and section leader of the environmental safety section of Kalatongke Mine. From January 1994 to June 1996, he served as a mining workshop supervisor of Kalatongke Mine. From June 1996 to March 1997, he served as an assistant to the head of Kalatongke Mine. From March 1997 to March 1998, he served as the chairman of the labour union of Kalatongke Mine. From March 1998 to March 1999, he served as the secretary of the communist party committee of the Kalatongke Mine. He served as the deputy general manager and general manager of the sales branch of Xinjiang Non-ferrous Metals Industry Co. from April 1999 to February 2002. Mr. Zhang has accumulated more than 24 years of experience in the mining industry. From March 2002 to August 2005, he served as the head of Kalatongke Mine. He has also served as the secretary of the Communist Party committee of the Company since September 2005. Mr. Zhang was recognised by Xinjiang Non-ferrous as the Model Labour (勞動模範) for the years of 2003 and 2004.

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

Mr. Liu Jun (劉俊), aged 46, has been a Director and duty general manager of the Company since September 2005. Mr. Liu graduated from Kunming University of Science and Technology with a Bachelor's degree in engineering, majoring in mining engineering from September 1983 to July 1987. He served as the deputy supervisor (production technology) of the mining workshop of Kalatongke Mine from May 1991 to December 1993. From January 1994 to December 1994 he served as the head of production technology division of Kalatongke Mine. He served as the chief engineer of Kalatongke Mine from March 1997 to April 2000. From April 2000 to August 2005 he served as the deputy general manager of Kalatongke Mine. From September 2005 to August 2008, he became the head of Kalatongke Mine and has also served as a Director and deputy general manager of the Company. Mr. Liu has accumulated more than 21 years of experience in the mining industry. Mr. Liu's contribution to nickel matte blowing and recovery processing and industrialised production received a scientific and technological progress second prize from the People's Government of Xinjiang for the year of 2004.

NON-EXECUTIVE DIRECTORS

Mr. Zhou Chuanyou (周傳有), aged 47, has been a non-executive Director and the vice-chairman of the Company since September 2005. He completed a postgraduate course in law at Fudan University (復旦大學) in July 1987. Mr. Zhou taught in Huadong Politics and Law Institute from July 1987 to January 1990. From September 1995 he served as the Chairman of Shanghai Jinying Investment Company Ltd. (上海金鷹投資有限公司), which is the predecessor of Zhongjin Investment (Group) Ltd. (中金投資(集團)有限公司) ("Zhongjin Investment"), and he is currently the beneficial owner of 100% shareholding in Zhongjin Investment. Mr. Zhou has served as a director of Shanghai Yilian Kuangneng Co. Ltd. (上海怡聯礦能實業有限公司) ("Shanghai Yilian") since May 2005 and is currently the beneficial owner of the entire shareholding of Shanghai Yilian. Shanghai Yilian held 12.80% shareholding of the Company and Zhongjin Investment held 8.96% shareholding of the Company. The interest attributable to Mr. Zhou represents his indirect deemed interest in the Company's issued share capital via his equity interests in Shanghai Yilian and Zhongjin Investment. Mr. Zhou has served as a director of Shanghai Zhongjin Real Estate (Group) Co., Ltd. (上海中金房產(集團)有限公司) since February 1998 and a vice chairman and director of Dazhong Insurance Co., Ltd. of China (大眾保險股份有限公司) since September 1998.

Mr. Niu Xuetao (牛學濤), aged 47, has been a non-executive Director of the Company since September 2005. He completed an undergraduate course in law at Northwest Institute of Political Science and Law in July 1990. From February 2003 to February 2008, he served as the deputy chief executive officer of Zhongjin Investment. From June 2004 to July 2005, Mr. Niu served as the vice-president of Xinjiang Fanhua Mine and Energy Industrial Company Ltd. (新疆泛華礦能實業有限公司), a company principally engaged in real estate development business, which is not related to Xinjiang Non-ferrous. From May 2005 to December 2009, he was the general manager of Shanghai Yilian. Mr. Niu is currently the Head Supervisor of Zhongjin Investment since October 1999.

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

Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chen Jianguo (陳建國), aged 48, has been an independent non-executive Director of the Company since June 2006, graduated from the Xinjiang University of Finance and Economics (新疆財經大學) (previously known as Xinjiang Institute of Finance and Economics (新疆財經學院)) and obtained a Bachelor's degree in economics in July 1985. In 1988, he obtained a Master's degree in economics from Dongbei University of Finance and Economics (東北財經大學). Since September 1988, he has been teaching at the Faculty of Finance of Xinjiang Institute of Finance and Economics. He was promoted to an associate professor in July 1996 and has become the Head of Faculty of Finance of Xinjiang Institute of Finance and Economics since 1997. From January 1999 to August 1999, he studied in Nyenrode Business Universiteit (奈爾洛德商業大學) in Netherlands pursuant to the Chinese Management Development Program. In 2001, he obtained a Master's degree in Business Administration from Haagse Hogeschool, University of Professional Education in Netherlands. Since April 2002, he has served as a standing council member of Xinjiang International Taxation Research Institute (新疆國際稅收研究會常務理事). He has also been the head of research and development department and a professor of Faculty of Accounting of Xinjiang University of Finance and Economics since October 2007. Mr. Chen has acted as an independent director of Markor International Furniture Co. (美克國際傢俱股份有限公司) and Xinjiang Guannong Fruit & Antler Co., Ltd. (新疆冠農果茸股份有限公司), both of which are PRC companies listed on the Shanghai Stock Exchange, and has also acted as an independent director of Zhundong Petroleum Technology Co., Ltd. (準東石油技術股份有限公司), a PRC company listed on the Shenzhen Stock Exchange, and Great Western Region Tourism Co., Ltd. (大西部旅遊股份有限公司). On 8 September 2008, Mr. Chen was appointed as an independent director of Xinjiang International Enterprise Co., Ltd (新疆國際實業股份有限公司). Mr. Chen was appointed as an independent director of Xinjiang Kangdi Planting Technology Company Limited* (新疆康地種業科技股份有限公司) since January 2010. He has been appointed as the dean of Institute of Accounting of Xinjiang University of Finance and Economics since January 2011, and as an independent director of Xinjiang Tianshan Power Company Ltd. (新疆天山電力股份有限公司) since June 2011. Mr. Chen has been appointed as the executive council member and deputy secretary of Xinjiang Institute of Accounting (新疆會計學會) since April 2011.

Mr. Wang Li Jin (汪立今), aged 52, has been an independent non-executive Director of the Company since 16 May 2011. He graduated from Xinjiang University (formerly known as the Xinjiang Institute of Technology) in February 1982, majoring in Survey and Exploration of Mineral Resources, and received Bachelor's degree of Engineering Science. Since February 1982, Mr. Wang has been teaching in the College of Geology and Exploration of Xinjiang University (新疆大學地質與勘查工程學院), and was promoted to professor in November 2000, and is currently a Master Instructor of Xinjiang University. In 2006, Mr. Wang was awarded the "Distinguished Teacher of Xinjiang University", and in 2007 and 2008 was named "Outstanding Thesis Instructor of Xinjiang University". During January 2001 to December 2008, while teaching in the Institute of Resource and Environmental Science of Xinjiang University (新疆大學資源與環境科學學院), Mr. Wang also conducted research work in mineralogy, mineral deposits and geology. During March 2004 to September 2004, Mr. Wang was sent by the National Government to the Department of Geological Sciences, University of Michigan Ann Arbor, USA, for further study, majoring in mineral deposit geology and mineralogy, and conducting scientific research work in mineral deposit geology and mineralogy. In the past three decades, Mr. Wang has been engaged in university geology teaching and research work, loaded with professional expertise, and has been familiar with business. Mr. Wang currently serves as a council member of the China Society of Mineralogy, Petrology and Geochemistry (中國礦物岩石地球化學學會), a committee member of the Professional Committee of Technological Mineralogy of China (中國工藝礦物學專業委員會), an executive director of the China Geological Society of Education (中國地質教育學會), a committee member of the China Environmental Mineralogy Professional Committee (中國環境礦物學專業委員會), and is the life member of the China Society of Mineralogy, Petrology and Geochemistry.

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

Mr. Li Wing Sum Steven (李永森), aged 55, has been an independent non-executive Director of the Company since 14 October 2011. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong, and a member of The Hong Kong Institute of Directors and Certified Tax Adviser of Hong Kong. Mr Li has over 30 years' experience in auditing, accounting, company secretarial services, taxation and financial management. Mr Li had worked in an international accounting firm (Coopers & Lybrand, now known as PricewaterhouseCoopers) and had been employed as financial controller of various companies including a Hong Kong listed company. Since July 2000 and up to present, Mr Li has been the Qualified Accountant and the Company Secretary of Shanghai Fudan Microelectronics Group Company Limited (Stock Code: 8102). Mr Li was an independent non-executive director and an executive director of Dynamic Global Holdings Limited (Stock Code: 231) (now known as Madex International (Holding) Limited), from 9 September 2004 to 6 July 2005 and from 6 January 2006 to 30 June 2009 respectively. Mr. Li is also a certified public accountant (practicing) and a director of a Hong Kong accounting firm. Mr. Li was also the joint company secretary of Ausnutria Dairy Corporation Ltd (Stock Code: 1717), from 19 September 2009 to 30 June 2010.

EMPLOYEES' REPRESENTATIVE SUPERVISOR

Mr. Jiang Mingshun (姜明順), aged 56, has been the chairman of the Supervisory Committee since September 2005. He is a Supervisor elected by the employees as employees' representative in the Supervisory Committee. He graduated from Central Xinjiang Communist Party School (新疆自治區黨校) in 1988, majoring in political theory. Mr. Jiang had worked in Keketuohai Mining Bureau (可可托海礦務局) since 1973. From August 1983 to August 1986, he worked in the Labour Union of Keketuohai Mining Bureau. He served as the Party branch secretary of Keketuohai Mining Bureau No. 1 Mine and Transportation Section from August 1988 to January 1992. From 1 November 1991 he served as the assistant chief director (the deputy for the chief director) of the Keketuohai Mining Bureau (可可托海礦務局行政辦公室). He served as deputy head of Fukang Refinery (阜康冶煉廠) from January 2002 to August 2005.

Mr. Sun Baohui (孫寶輝), aged 42, has been a Supervisor of the Company since June 2006. He was elected by the employees as employees' representative in the Supervisory Committee. He majored in the metallurgy of non-ferrous metals and graduated from Kunming University of Science and Technology with a Bachelor's degree in engineering in July 1992. Mr. Sun served as a technician, the deputy head and the head of the smelting workshop at Kalatongke Mine successively from July 1992 to September 2000. From April 2003 to September 2005, he served as the head of the ore processing workshop at Kalatongke Mine. From September 2005 to May 2009, he served as the deputy head of and the president of the labour union at Kalatongke Mine. Mr. Sun is currently the general manager of Xinjiang Wuxin Copper Company Limited since May 2009.

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SUPERVISOR

Mr. He Pingtao (何平濤), aged 39, has been appointed as shareholders representative Supervisor of the Company since 14 October 2011. He studied at School of Business and Economics of Fujian Agricultural University (福建農業大學) with a major in Economy Management from September 1992 to July 1996, where he obtained a bachelor degree of Economics. He is currently a certified public accountant and a registered accountant in the PRC. Mr. He started his career in August 1996, had worked as Assistant Lecturer, Lecturer, research group head of Agricultural Economy and Deputy Chief of Agricultural Economy Department in Longyan Agricultural School of Fujian Province. He joined Zijin Mining Group Co. Ltd. (紫金礦業集團) in November 2006, acted as the head of the supervising and auditing office in Fuyun Jinshan Mining Company Limited (富蘊金山礦冶有限公司) and the head of the supervising and auditing office of JV Zeravshan Limited Liability Company (塔吉克斯坦ZGC公司) in Tajikistan, and is currently the chairman of the Supervisory Committee of Zijin Mining Group Northwest Co., Ltd. (紫金礦業集團西北有限公司).

INDEPENDENT SUPERVISOR

Ms. Chen Yuping (陳玉萍), aged 47, is an independent Supervisor of the Company since 12 June 2006. Ms. Chen majored in industry economics and obtained a Bachelor's degree in economics from Xinjiang University of Finance and Economics (新疆財經大學) (previously known as Xinjiang Institute of Finance and Economics (新疆財經學院)) in July 1985 and a Master's degree in business administration from Oklahoma City University (奧克拉荷馬城大學) in the U.S.A. in June 1989. Since July 1985, Ms. Chen has been teaching in the Faculty of Business Administration of Xinjiang Institute of Finance and Economics. Ms. Chen is now a professor and has been the deputy head of the Faculty of Business Administration of Xinjiang University of Finance and Economics since July 2001 and was appointed as the associate professor in July 1996. From January 2000 to September 2000, she studied in Nyenrode Business Universiteit in Netherlands pursuant to the Chinese Management Development Project. She was appointed as the professor in 2006 and the deputy head of the Student Registry of Xinjiang University of Finance and Economics in October 2007. She has also been appointed as the office of academic affairs director by the Xinjiang University of Finance and Economics since January 2011.

Mr. Hu Zhijiang (胡志江), aged 66, is an independent Supervisor of the Company since 12 June 2006. He is a qualified senior accountant and a practising accountant. Mr. Hu was a deputy head in the Agricultural Planning and Finance Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳農財處) from 1992 to 1994. From 1994 to 1997, he served as the head of the Legal and Taxation Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳法制税政處). From 1997 to 2001, he served as the head of the Accounting Section of the Finance Department of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區財政廳會計處). From 1998 to 2000, he served as a member of the Senior Assessment Committee for Professional Qualification in Accounting of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區會計專業技術資格高級評審委員會). From 2001 to 2005, he served as the inspector at the deputy department level of the Finance Department of Xinjiang Uygur Autonomous Region (副廳級巡視員). Mr. Hu has been the vice chairman of the eighth committee of the Accounting Association of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區會計學會第八屆理事會) since 2002.

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OTHER SENIOR MANAGEMENT

Mr. Zhang Junjie (張俊杰), aged 49, is one of the joint company secretaries of the Company. He graduated from Zhongnan Mining and Smelting Institute (中南礦冶學院) with a Bachelor's degree in engineering, majoring in mining engineering from September 1979 to July 1983. Mr. Zhang has more than 24 years of experience in the mining industry. From July 1983 to September 1988, he was employed as the deputy head of the comprehensive planning department of Xinjiang Keketuohai Mining Bureau. From October 1988 to March 1991, he was the head of the production technology division and the head of the mining workshop of Kalatongke Mine. From April 1991 to March 1993, he was the deputy head and acting head of the production technology division of Xinjiang Keketuohai Mining Bureau. From March 1993 to August 1997, he was the deputy chief economist of Xinjiang Non-ferrous Industry Co. Copper and Nickel Branch (新疆有色金屬工業公司銅鎳分公司). From August 1997 to March 1998, he was a deputy general manager of Xinjiang Non-ferrous Industry Co. Copper and Nickel Branch (新疆有色金屬工業公司銅鎳分公司). From April 1998 to July 2002, he was the head of the finance department of Xinjiang Non-ferrous Metal Industry Co.. From July 2002 to August 2005, he was the head of the assets management department of Xinjiang Non-ferrous. Since September 2005, he has been the secretary to the Board of Directors.

Mr. Lam Cheuk Fai (林灼輝), aged 58, is the qualified accountant and one of the joint company secretaries of the Company. He joined the Company in June 2006. Mr. Lam was awarded a Higher Certificate in Accountancy from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in 1979, and a Master's degree of Business Administration from the University of East Asia, Macau in 1988. Mr. Lam is a fellow member of both the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. From 1979 to 1985, Mr. Lam worked for Touche Ross & Co. (now known as Deloitte Touche Tohmatsu.) in Hong Kong and the U.S.A. and Arthur Young & Co. (now known as Ernst & Young) in Hong Kong. Mr. Lam has approximately 30 years of working experience in auditing, accounting, internal control, taxation, company secretarial work and financial management in multinational organisations in the U.S.A., Hong Kong and the PRC. He was previously employed as the chief financial officer and the company secretary by a listed company in Hong Kong.

Mr. Wu Tao (吳濤), aged 45, has been the chief engineer of the Company since September 2005. Mr. Wu studied in the Department of Chemical Engineering at Chengdu University of Science and Technology from September 1985 to July 1989 specialising in the metallurgy of non-ferrous metals and graduated with a Bachelor's degree in engineering. He started working at Kalatongke Mine upon graduation. Since October 1991, he has been working at Fukang Refinery (阜康冶煉廠) and has been the chief engineer since September 2005. He was awarded two Scientific and Technological Progress First Prizes (科學技術進步一等獎), one by the National Committee of Science and Technology in 1995 for his contribution to the wet process adopted in refining and one by the People's Government of Xinjiang for the year of 2002 for his contribution to the development of production methods in smelting, extraction from tailings and the production of copper and precious metals.

Mr. He Hongfeng (何洪峰), aged 42, has been the chief financial officer of the Company since September 2005. Mr. He graduated from Xinjiang College of Finance and Economics in 1992 with a Bachelor's degree in economics. He also obtained the Master's degree of Business Administration from the Xinjiang University of Finance and Economics in 2009. Prior to joining the Company in September 2005, he was working in Zhongjin Investment as an accountant. Mr. He is a certified accountant, certified valuer and certified tax consultant in the PRC.

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Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Company strives to maintain a high standard of corporate governance. and continue to modify the Company's policies and code in terms of corporate governance, compliance to laws and monitoring code pursuant to the relevant regulations as from time to time promulgated by the China Securities Regulatory Commission and the Hong Kong Stock Exchange. The Company has fully complied with all the relevant code provisions and most of the recommended best practices under the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules for the financial year ended 31 December 2011 (the "Financial Year", the "Year").

THE BOARD OF DIRECTORS

Functions and Duties of the Board

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

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

As of the date of this Report, the Board revised the Company's corporate governance policy to include the terms of reference of the Board in relation to the corporate governance functions as follows:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Composition

On 14 October 2011, the Board has changed into the third session, and still comprises nine Directors, four of whom are executive Directors, two of whom are non-executive Directors and three of whom are independent non-executive Directors. There is no financial, business, family or any other relevant relationships between the members of the Board.

The three independent non-executive Directors of the Company are equipped with suitable professional qualifications, one specialising in geology and mining, and the other two with accounting and financial management backgrounds respectively.

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

Pursuant to the Articles of Association, the Directors (including non-executive and independent non-executive Directors) are appointed for a term of three years and their re-appointment are to be approved in a general meeting.

Chairman and Chief Executive Officer

Mr. Yuan Ze remains to be the Chairman of the present session (the third session) of the Board and Mr. Shi Wenfeng remains to be the general manager (Chief Executive Officer) as well as the executive director of the Company. The respective responsibilities of the Chairman and the general manager of the Company are provided in clause 119 and clause 138 of the Articles of Association, respectively, and duly separated. The Articles of Association were uploaded to the websites of the Company and the Stock Exchange on 16 March 2012.

The Board and Management

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

While at all times the Board retains full responsibility for guiding and monitoring the operations of the Group, in discharging its duties, certain responsibilities are delegated to (1) the standing Board committees of the Company namely: the Audit Committee, the Nomination Committee, the Remuneration and Review Committee and the Strategic Development Committee. Each committee's constitution, powers and duties are clearly defined by its terms of reference, and the committees are accountable to the Board; (2) the general manager (Chief Executive Officer), being delegated with the day-to-day management of the businesses of the Group, is accountable to the Board; and (3) the senior management team of the Group, being delegated with the responsibilities to deal with daily operational functions, is answerable to the Executive Directors.

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

Board Meetings

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

For the year ended 31 December 2011, five Board meetings and two general meetings were held, and the details of each of the Directors attendance record of the meetings are as follows:

	Number of meetings attended/ Number of meetings convened during term of office	
Name of Directors	**Directors' meeting**	**General meeting**
Chairman (Executive Director)		
Yuan Ze (袁澤)	5/5	2/2
Executive Directors		
Shi Wenfeng (史文峰) *(General Manager)*	5/5	2/2
Zhang Guohua (張國華) *(Executive Deputy General Manager)*	5/5	2/2
Liu Jun (劉俊) *(Deputy General Manager)*	5/5	2/2
Non-executive Directors		
Zhou Chuanyou (周傳有) *(Vice-Chairman)*	4/5	2/2
Niu Xuetao (牛學濤)	5/5	2/2
Independent non-executive Directors		
Chen Jianguo (陳建國)	5/5	2/2
Sun Baosheng (孫寶生) (Deceased on 12 March 2011)	1/1	
Wang Lijin (汪立今) (Appointed on 16 May 2011)	3/3	2/2
Ng Yuk Keung (吳育強) (Retired on 14 October 2011)	4/4	1/2
Li Wing Sum Steven (李永森) (Appointed on 14 October 2011)	1/1	1/1

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, Supervisors and Senior Management, all Directors, Supervisors and Senior Management have complied with the required standards as set out in the Model Code for the year ended 31 December 2011.

DIRECTOR NOMINATION AND NOMINATION COMMITTEE

During the Financial Year, the Company did not establish a nomination committee. Nomination of new director was a collective decision of the Board taking into consideration of the nominees' professional expertise, experience and commitments to the Group.

On 16 March 2012, the Board resolved and established a nomination committee. The terms of reference of the nomination committee of the Company were made with reference to the revised CG Code and were uploaded to the websites of the Company and the Stock Exchange.

REMUNERATION AND REVIEW COMMITTEE

In 2007, the Board resolved and established the Remuneration and Review Committee. In October 2011, the third session of the Remuneration and Review Committee comprised one executive Director, Mr. Shi Wenfeng, one non-executive Director, Mr. Niu Xuetao, and three independent non-executive Directors, Mr. Chen Jianguo, Mr. Wang Lijin and Mr. Li Wing Sum Steven, with Mr. Shi Wenfeng served as the chairman of the Remuneration and Review Committee.

On 16 March 2012, the Board resolved that the independent non-executive director Mr. Chen Jianguo be appointed as the chairman of the Remuneration and Review Committee while Mr. Shi Wenfeng be a committee member.

On 16 March 2012, the terms of reference of the Remuneration and Review Committee were revised and approved by resolution of the Board and were uploaded to the websites of the Company and the Stock Exchange. Contents of the revision include all new amendments to the revised CG Code.

During the Year, two meetings of the Remuneration and Review Committee was held with an attendance rate of 100%.

The role and function of and a summary of work during the Year by the Remuneration and Review Committee included:

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

AUDITORS' REMUNERATION

For the year ended 31 December 2011, audit fees charged by the auditors of the Company amounted to approximately RMB1.98 million and no non-audit service assignment was made.

AUDIT COMMITTEE

In 2007, the Board resolved and established the audit committee of the Company ("Audit Committee") and formulated the terms of reference for the Audit Committee. In October 2011, the third session of the Audit Committee comprises two independent non-executive Directors, Mr. Chen Jianguo and Mr. Li Wing Sum Steven, and one non-executive Director, Mr. Zhou Chuanyou with Mr. Chen Jianguo serving as the chairman of the Audit Committee. The Board believes that members of the Audit Committee have sufficient knowledge and expertise in laws, accounting and financial management to enable them to perform their duties.

On 16 March 2012, the terms of reference of the Audit Committee has been revised and approved by resolution of the Board, and were uploaded to the websites of the Company and the Stock Exchange.

The Audit Committee has held meetings on a regular basis since its establishment and convened two meetings during the Reporting Year with attendance rates of 100%.

The role and function of and a summary of work during the Year by the Audit Committee included:

- review of the annual report and results announcement of the Company for the year ended 31 December 2011, with a recommendation to the Board for approval;
- review of the external auditors' independence and their report, with a recommendation to the Board for the re-appointment of the external auditors by the shareholders of the Company at its 2011 annual general meeting;
- review of continuing connected transactions;
- review of the interim report and results announcement of the Company for the six months ended 30 June 2011, with a recommendation to the Board for approval;
- consideration of audit and non-audit services provided by the external auditors;
- review of the effectiveness of the system of internal control of the Company and its subsidiaries;
- review of periodic reports prepared by the Internal Audit Department;
- review of the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget; and
- review of the audit fees payable to the external auditors for the year ended 31 December 2011, with a recommendation to the Board for approval.

STRATEGIC DEVELOPMENT COMMITTEE

In 2007, the Board established the Strategic Development Committee and formulated the terms of reference for the Strategic Development Committee.

In October 2011, the third session of the Strategic Development Committee of the Company comprises executive Directors, Mr. Yuan Ze, Mr. Shi Wenfeng and Mr. Zhang Guohua, a non-executive Director, Mr. Zhou Chuanyou and an independent non-executive Director, Mr. Wang Lijin, with the executive Director, Mr. Yuan Ze, serving as the chairman.

The duties of the Strategic Development Committee are to review and evaluate the development, budget, investment, business operation, strategic plan and annual return of the Company. The Strategic Development Committee's members perform their duties in accordance with the committee's terms of reference.

SUPERVISORY COMMITTEE

The Company's Supervisory Committee was established in 2005 pursuant to the Company's Articles of Association. In October 2011, the third session of the Company's Supervisory Committee consists of five Supervisors. Mr. Jiang Mingshun is the Chairman of the Supervisory Committee. One of the Supervisors was elected by the shareholders as shareholders' representative, two Supervisors represented the employees of the Company were elected by the employees and two other independent Supervisors were appointed. Supervisors serve for a term of three years and are subject to re-election.

The Supervisory Committee is responsible for exercising supervision over the Board, its members and the senior management; and preventing them from abusing their authorities and jeopardizing the interests of the shareholders, the Company and its employees. Two meetings were held by the Supervisory Committee in 2011 with attendance rates for both meetings were 80%. During the meetings, the Supervisory Committee reviewed the financial conditions and operations of the Company and the due diligence of the senior management. The Supervisory Committee's members perform their duties in accordance with the Company's Articles of Association.

SHARE INTEREST OF SENIOR MANAGEMENT

As at 31 December 2011, none of the senior management of the Company held any share interests in the Company.

SHAREHOLDERS' MEETING AND INVESTOR RELATIONS

As at 31 December 2011 and up to the date of this Annual Report, the Company issued 1,451,000,000 shares of domestic shares and 759,000,000 H shares, totalling 2,210,000,000 shares.

In 2011, the Company convened two general meetings. All proposed resolutions were approved with a passing rate of over 99%. The general meeting was chaired by the Chairman of the Board, who explained matters concerning the procedures for voting for shareholders' consideration and the shareholders voted on each proposed resolution. Each of the Directors and Supervisors were notified of and attended the general meetings.

The rights and responsibilities of all shareholders are set out in the Company's Articles of Association which. were uploaded to the Company's website.

Shareholders holding more than 10% of the issued shares carrying voting right may by written request call for an extraordinary general meeting.

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

In an annual general meeting of the Company, shareholders holding more than 3% of shares carrying voting rights may propose to the Board any resolutions in writing; the Board will if it considers appropriate, include the proposed resolutions into the agenda of the general meeting. If the board resolve not to include the proposed resolutions into the agenda, it shall be explained and clarified in the meeting; contents of the resolutions and the Board's explanation shall be set forth in an announcement after the general meeting.

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

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

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

The Secretariat Office and the Corporate Finance and Securities Department of the Board offer comprehensive services to the shareholders and answer their enquiries on a timely basis in order to enhance their understanding of the Company. They also maintain effective communications with the shareholders to ensure that the views of the shareholders will be communicated to the Board.

As at 31 December 2011, total market capitalization of the Company was approximately HK$4.64 billion, of which the market capitalization of public floatation of H shares was approximately HK$1.59 billion.

INTERNAL CONTROL

The internal control system of the Group has been designed to safeguard the assets of the Group, maintaining proper accounting records, execution with appropriate authority and compliance with the relevant laws and regulations. The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. Executive Directors and senior management of the Company are conferred with relevant authority to manage and monitor respective operational systems and to handle relevant issues.

During the Financial Year, the Board have carried out two reviews of the implemented system and procedures, including areas covering defining management structure and its relevant authorities, confirming the adoption of appropriate Accounting Standards, providing reliable financial information for internal use and announcements and confirming the compliance of relevant laws and regulations. The internal control system is implemented to minimize the risk to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses. The Board believes that the present internal control system of the Group is effective and adequate to cover the current operations of the corporate.

The Group has established internal accounting system. Proposed budget has to be approved by the Board before its implementation. The budget management system and investment management system of the Group contain relevant procedures formulated for evaluating and reviewing principal operational expenses and capital expenditure. Operational results are reported to the Board with financial analysis on a regular basis.

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

The Group has developed the Information Disclosure Management System, which contains relevant procedures for handling price sensitive information.

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

The Board reviewed the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programmes and budget during the Financial Year and considered that the Group had adequate staff resources with the competence, qualifications and experience necessary for the effective performance of its accounting and financial reporting function.

FINANCIAL REPORTING

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

The Directors are pleased to present the 2011 report and the audited financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the mining, ore processing, smelting, refining and sales of nickel, copper and other non-ferrous metal products. There were no significant changes in the nature of the Group's principal activities during the year.

The principal activities of the Company's subsidiaries, jointly-controlled entity and associated company are detailed in Notes 6 and 7(9) to the Financial Statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of financial affairs of the Company and the Group at that date are set out in the Financial Statements on pages 55 to 160.

The Board of Directors of the Company (the "Board of Directors" or the "Board") proposed payment of a final dividend of RMB0.03 per share, amounting to a total dividend of approximately RMB66,300,000 for the year ended 31 December 2011, which is subject to the approval of the Company's shareholders in the annual general meeting of the Company. Dividend for shareholders of H shares will be distributed to the shareholders whose names appear on the Company's register of members at the opening of business on 4 June 2012 and is expected to be paid on 31 August 2012.

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the relevant implementing rules which came into effect on 1 January 2008, the Company is required to withhold and pay corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders as appearing on the H share register of members of the Company. Any shares registered in the names of non-individual registered shareholders (including HKSCC Nominees Limited, other corporate nominees, trustees or other entities and organisations) will be treated as being held by non-resident enterprise shareholder and will therefore be subject to the withholding of the enterprise income tax. Shareholders and investors should peruse the contents of the above rules carefully. If shareholders' names appear on the H Shares register of members, please refer to nominees or trust organization for details of the relevant arrangements. The Company has no obligation and shall not be responsible for confirming the identities of the shareholders. The Company will strictly comply with the law, and withhold and pay the corporate income tax on behalf of the relevant shareholders. The Company will not entertain any requests relating to any delay in confirming the identity of the shareholders or any uncertainties in the identity of the shareholders.

MAJOR INVESTMENTS

In June 2011, the Company, together with Xinjiang Ashele Copper Industry Co., Ltd., (新疆阿舍勒銅業股份有限公司 ("Xinjiang Ashele")), a connected person of the Company, jointly completed the increase of capital in Xinjiang Wuxin in the total amount of RMB190.0 million, in which the Company based on its original proportion of shareholding increased its capital in Xinjiang Wuxin by RMB125.4 million. Upon the completion of the capital increase, the registered capital of Xinjiang Wuxin increased from RMB600.0 million to RMB790.0 million, and the proportion of equity interests of the Company in Xinjiang Wuxin remains at 66.0%.

In October 2011, the Company acquired 51% equity interest in Shaanxi Xinxin Mining Industry Co., Ltd. (陝西新鑫礦業有限責任公司) ("Shaanxi Xinxin"), from Shaanxi Mingtai Engineering Construction Co., Ltd. (陝西明泰工程建設有限責任公司) ("Shaanxi Mingtai") at the consideration of RMB80 million. After the completion of the acquisition, Shaanxi Xinxin Mining Industry Co., Ltd. was owned as to 51% by the Company.

Save as disclosed in the above, the Company had no other acquisitions, sale or merger of assets during the Year.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

In 2011, the Company applied the proceeds from its initial public offering totaling RMB518.7 million for the following purposes:

- RMB3.0 million was used in relation to the further exploration of areas in Kalatongke Mine;
- RMB47.4 million was used in relation to the further expansion of the mining and ore processing of Kalatongke Mine;
- RMB96.7 million was used in relation to the expansion of the smelting operation in Kalatongke Mine;
- RMB56.2 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 further capital injection to Xinjiang Wuxin;
- RMB80.0 million was used in relation to the acquisition of 51% equity interest in Shaanxi Xinxin from Shaanxi Mingtai;
- RMB100.0 million was used in the establishment of Beijin Xinding Shunze High Technology Company Limited (北京鑫鼎順澤高科技有限責任公司); and
- RMB10.0 million was used in the establishment of Xinjiang Kalatongke Mining Industry Company Limited (新疆喀拉通克礦業有限責任公司).

SUMMARY OF FINANCIAL INFORMATION

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

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the Year are set out in Note 7(10) and 14(9) to the Financial Statements, respectively.

The Group did not hold any investment property.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in Note 7(27) to the Financial Statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

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

BANK LOANS AND BORROWINGS

As at 31 December 2011, the Group had unsecured bank loan of RMB819 million.

DISTRIBUTABLE RESERVES

According to the Articles of Association of the Company as revised in October 2011, the reserves available for distribution are based on the Company's profit as determined under CAS. In accordance with the Company Law of the PRC, profit after tax can be distributed as dividends after the allocation of the statutory surplus reserve. As at 31 December 2011, the Group's distributable reserve attributable to shareholders of the Company under CAS amounted to RMB255,395,000.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling RMB2,020,360.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2011, the proportion of purchases and sales from major suppliers and major customers of the Company to the total purchases and sales, respectively, are as follows:

Purchases

The total purchases from the largest supplier of the Company represent 10.0% of the total purchase value.

The total purchases from the five largest suppliers of the Company represent 30.2% of the total purchase value.

Sales

The total sales to the largest customer of the Company represent 23.4% of the total sales value.

The total sales to the five largest customers of the Company represent 64.2% of the total sales value.

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

MAJOR LITIGATION AND ARBITRATION

The Group has no major litigation or arbitration as at the date of this report.

CONTINGENT LIABILITIES

Save as disclosed in Notes 9 and 10(7) to the Financial Statements, the Group had no other significant contingent liabilities as at 31 December 2011.

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events since the balance sheet date except as disclosed in Note 12 to the Financial Statements.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company during the Year were:

Executive Directors:

Mr. Yuan Ze	袁澤先生	*(Chairman) (re-appointed on 14 October 2011)*
Mr. Shi Wenfeng	史文峰先生	*(re-appointed on 14 October 2011)*
Mr. Zhang Guohua	張國華先生	*(re-appointed on 14 October 2011)*
Mr. Liu Jun	劉俊先生	*(re-appointed on 14 October 2011)*

Non-executive Directors:

Mr. Zhou Chuanyou	周傳有先生	*(re-appointed on 14 October 2011)*
Mr. Niu Xuetao	牛學濤先生	*(re-appointed on 14 October 2011)*

Independent non-executive Directors:

Mr. Chen Jianguo	陳建國先生	*(re-appointed on 14 October 2011)*
Mr. Sun Baosheng	孫寶生先生	*(Deceased on 12 March 2011)*
Mr. Wang Lijin	汪立今先生	*(appointed on 16 May 2011 and re-appointed on 14 October 2011)*
Mr. Ng Yuk Keung	吳育強先生	*(retired on 14 October 2011)*
Mr. Li Wing Sum, Steven	李永森先生	*(appointed on 14 October 2011)*

Supervisors:

Mr. Jiang Mingshun	姜明順先生	*(re-appointed on 14 October 2011)*
Mr. Sun Baohui	孫寶輝先生	*(re-appointed on 14 October 2011)*
Mr. Liu Daoying	劉道英先生	*(retired on 14 October 2011)*
Mr He Pingtao	何平濤先生	*(appointed on 14 October 2011)*

Independent Supervisors:

Ms. Chen Yuping	陳玉萍女士	*(re-appointed on 14 October 2011)*
Mr. Hu Zhijiang	胡志江先生	*(re-appointed on 14 October 2011)*

Biographical details of the Directors and Supervisors are set out on pages 20 to 25.

Service contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract for a term of three years with the Company from 14 October 2011 to the expiration of the term of the third session of the Board of Directors and of the Supervisors Committee.

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

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

Confirmation of independence

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

Directors', Supervisors' and senior management's remunerations

The Directors' and Supervisors' remunerations including discretionary bonus are subject to Shareholders' approval at general meetings, while senior management's remunerations including discretionary bonus are subject to approval of the Board of Directors. In compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Company has established a remuneration and review committee to formulate compensation policies and to determine and manage the compensation of the Directors and senior management of the Company. Details of the Directors', Supervisors' and senior management's remuneration are disclosed in note 10(5)(f) to the financial statements.

Directors' and Supervisors' interests in contracts

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

Directors' and Supervisors' interests and short positions in shares

Share Appreciation Rights Incentive Scheme

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

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

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

The recipients of the SARIS and their allocated number of share appreciation rights ("SAR") as at 31 December 2011 are listed below:

Name	Position	Number of SAR	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
Twelve key personnel		3,120,000	0.141
Total		14,620,000	0.662

As the operating results of the Company for the years from 2008 to 2011 did not achieve the target results of the respective years triggering the exercising of the right under the SARIS, the above allotted 14,620,000 of SAR were, according to the terms and conditions of the SARIS and as approved by the Board meeting held on 16 March 2012, be voided and cancelled.

As at 31 December 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 Companies ("Model Code") were as follows:

Long Positions in Shares and Underlying Shares of the Company

	Number of Shares held					
Director/ Supervisor	Personal interest	Corporate interests	Total interests	Classes of share	Percentage of aggregate interests to relevant class of share	Percentage of aggregate interests to the total share capital
Zhou Chuanyou		480,924,000	480,924,000	Domestic share *(Note 1)*	33.14	21.76
		3,638,000	3,638,000	H share *(Note 2)*	0.48	0.17

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 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 31 December 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' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

Mr. Yuan Ze chairs the board meetings at Xinjiang Non-ferrous and also acts as the legal representative of Xinjiang Non-ferrous to sign any deeds, material contracts and other material documents of Xinjiang Non-ferrous. Mr. Yuan has not given any confidential or sensitive commercial information of the Company to Xinjiang Non-ferrous or any other third party and has physically abstained from attending the meetings to consider connected transactions with Xinjiang Non-ferrous.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

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

Name	**Number of shares held**	**Class of share**	**Approximate percentage of shareholding on relevant class of shares** (%)	**Approximate percentage of the total share capital** (%)
Xinjiang Non-ferrous	885,204,000(L)	Domestic share	61.01	40.06
Shanghai Yilian *(Note)*	282,896,000(L)	Domestic share	19.50	12.80
Zhongjin Investment *(Note)*	198,028,000(L)	Domestic share	13.65	8.96
The National Council for Social Security Fund of the PRC (中國全國社會保障基金理事會)	69,000,000(L)	H share	9.09	3.12
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

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

Save as disclosed above, the Directors were not aware of any other person (other than a Director or Supervisor of the Company) who had interests 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.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in Note 10 to the Financial Statements also constituted connected transactions under the Listing Rules and are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

Connected transaction not exempt under the Listing Rules

On 5 January 2011, the Company and Xinjiang Ashele, entered into a second registered capital increase agreement to further increase the registered capital of Xinjiang Wuxin from RMB600.0 million to RMB790.0 million. Pursuant to the said agreement, the Company and Xinjiang Ashele will contribute RMB125.4 million and RMB64.6 million respectively, by way of cash to the registered capital of Xinjiang Wuxin in proportion to their respective equity interest in Xinjiang Wuxin. Xinjiang Ashele is a connected person of the Company by virtue of it being an associate of Xinjiang Non-Ferrous, a controlling shareholder of the Company.

Continuing connected transactions not exempt under the Listing Rules

1. Xinjiang Non-ferrous (the controlling shareholder of the Company) and the Company entered into a mutual supply agreement on 11 June 2009 (the "Mutual Supply Agreement") whereby both parties agreed that (a) the Xinjiang Non-ferrous Group will provide construction services, certain production supplies, storage, transportation and loading services and other supporting and ancillary services to the Company; and (b) the Company will provide nickel cathode, copper cathode and sulphuric acid to the Xinjiang Non-ferrous Group from 1 January 2010 to 31 December 2012.

   For each of the three years ending 31 December 2010, 2011 and 2012, the annual cap of the aggregate fees payable by the Company to the Xinjiang Non-ferrous Group in respect of the construction services fees and supporting and ancillary services fees amounted to approximately RMB632.1 million, RMB681.6 million and RMB378.3 million, respectively *(Note)*. For the year ended 31 December 2011, the total transactions amount between the Xinjiang Non-ferrous Group and the Company in respect of the construction services fees and supporting and ancillary services were approximately RMB386.6 million.

   For each of the three years ending 31 December 2010, 2011 and 2012, the annual cap of the aggregate fees payable by the Xinjiang Non-ferrous Group to the Company in respect of the product fees amounted to approximately RMB30.4 million, RMB36.5 million and RMB39.8 million, respectively. For the year ended 31 December 2011, the total transactions amount between the Company and the Xinjiang Non-ferrous Group in respect of the product fees were approximately RMB31.2 million.

   Note: The annual caps for construction services for each of the three years ending 31 December 2012 were revised. Particulars of which please refer to the announcement and circular of the Company dated 29 March 2010 and 8 April 2010, respectively.

2. The Company entered into a comprehensive services agreement with Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Company Limited* (新疆有色金屬工業（集團）富蘊興銅服務有限公司) ("Fuyun Xingtong"), a wholly-owned subsidiary of Xinjiang Non-ferrous, on 11 June 2009 whereby Fuyun Xingtong agreed to provide certain supporting services including educational, nursery, medical and healthcare services to the employees of the Company from 1 January 2010 to 31 December 2012 (the "Comprehensive Services Agreement"). For each of the three years ending 31 December 2010, 2011 and 2012, the annual cap of the services fees payable to Fuyun Xingtong by the Company is approximately RMB3.7 million, RMB4.0 million and RMB4.0 million, respectively. For the year ended 31 December 2011, the total transactions amount between the Company and Fuyun Xingtong under the Comprehensive Services Agreement were approximately RMB3.4 million.

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

3. On 11 June 2009, the Company entered into a property lease agreement with Xinjiang Non-ferrous pursuant to which Xinjiang Non-ferrous agreed to lease to the Company office premises on the 7th and 8th floors, Youse Building, No. 4 You Hao North Road, Urumqi, Xinjiang, the PRC with a total gross floor area of approximately 1,992 square metres for office use with a term commencing from 1 January 2010 to 31 December 2012. For each of the three years ending 31 December 2010, 2011 and 2012, the annual cap of the rental payable to Xinjiang Non-ferrous by the Company is approximately RMB1.6 million. For the year ended 31 December 2011, the actual rental payable by the Company to Xinjiang Non-ferrous was approximately RMB1.6 million.

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

(i) were in the ordinary and usual course of business of the Company;

(ii) have been entered into by the Company on normal commercial terms or on terms no less favorable to the Company than terms to or by independent third parties; and

(iii) have been entered in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company, the auditors of the Company, have performed certain procedures on the continuous connected transactions and confirmed in writing to the Board of Directors that the above-mentioned continuing connected transactions:

1. have been approved by the Board of Directors;

2. are in accordance with the pricing policies of the Company if the transactions involved provision of goods or services by the Company;

3. have been entered into and conducted in accordance with the relevant agreements governing the transactions; and

4. have not exceeded the revised annual cap amounts as approved either by the Board of Directors on 11 June 2009 or by the Company's general meeting held on 21 August 2009 and the annual general meeting of 28 May 2010.

NON-COMPETITION AGREEMENT

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

RELATED PARTY TRANSACTIONS

The Group is also involved in a number of related party transactions, details of which have been disclosed in Note 10 to the Financial Statements.

PUBLIC FLOAT

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

CLOSURE OF REGISTER FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from 24 April 2012 to 25 May 2012 (both days inclusive), during which time no share transfers will be registered. In order to be eligible to attend the 2011 annual general meeting of the Company, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 23 April 2012.

CLOSURE OF REGISTER FOR PAYMENT OF DIVIDENDS

The register of members of the Company will be closed from 31 May 2012 to 4 June 2012 (both days inclusive), during which time no share transfers will be registered. In order to qualify for the final dividends of the Company, instruments of transfer accompanied by share certificates and other appropriate documents must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 30 May 2012.

AUDIT COMMITTEE

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

The audit committee provides an important link between the Board of Directors and the Company's auditors in matters falling within the scope of the audit of the Company and the Group. It will review the effectiveness of the external audit and internal controls and risk evaluation and will provide comments and advice to the Board of Directors. The audit committee comprises one non-executive Director namely, Mr. Zhou Chuanyou and two independent non-executive Directors, namely, Mr. Chen Jianguo and Mr. Li Wing Sum, Steven, with Mr. Chen Jianguo serving as the Chairman. The audit committee and management have reviewed the audited results of the Group for the year ended 31 December 2011.

AUDITORS

PricewaterhouseCoopers, the international ex-auditors of the Company, retired on 16 May 2011. The consolidated financial statements of the Company for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company, who will retire upon the conclusion of the forthcoming annual general meeting of the Company. A resolutions for the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international and the PRC auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
Yuan Ze
Chairman

Xinjiang, the PRC
16 March 2012

Report of the Supervisory Committee

To all Shareholders:

For the year 2011, the supervisory committee of the Company (the "Supervisory Committee") faithfully fulfilled the supervisory duties to effectively safeguard the interests of the shareholders of the Company in accordance with the requirements of the Company Law of the PRC and relevant applicable laws and regulations and the Articles of Association of Xinjiang Xinxin Mining Industry Co., Ltd. Below is an independent report on the work progress and the due performance of duties by the Supervisory Committee.

1. Routine Duties of the Supervisory Committee

(1) The Supervisory Committee held three meetings during the Reporting Year, namely: the sixth and the seventh meetings of the second session of the Supervisory Committee, and the first meeting of the third session of the Supervisory Committee. During the meetings, the Working Report of the Supervisory Committee for 2010, the Consolidated Financial Statement of the Company for 2010, the Annual Report of the Company for 2010, the Accumulated Profit Distribution Plan of the Company for 2010, the Resolution regarding the approval of the granting of performance-based remuneration to the Chairman of the Supervisory Committee of the Company for 2010, the Consolidated Financial Statements of the Company prepared in accordance with the China Accounting Standards for Business Enterprises ("CASBE") for the first half of 2011, the interim report of the Company for 2011, the Resolution regarding the granting of remuneration incentives to the Chairman of the Supervisory Committee of the Company for 2010, the resolution regarding the adjustment of remuneration standards for the Chairman of the Supervisory Committee of the Company for 2011, the resolution regarding the recommendation of nominees for the Third Session of the Supervisory Committee of the Company, the resolution regarding the recommendation of the remuneration of the Supervisor Nominees and Elected Staff Representative of the Third Session of the Supervisory Committee of the Company, and the resolution regarding the conferring of rights to the Company to enter into service contracts with the Elected Supervisors according to suitable terms and conditions and to take all actions and measures to give effect to such matters. The first meeting of the third session of the Supervisory Committee elected the Chairman of the third session of the Supervisory Committee of the Company. Except Supervisor Liu Daoying who was excused due to overseas travel, all Supervisors attended the meetings and expressed clear and true opinions in a serious and responsible manner on the issues in compliance with the laws and the Articles of Association of the Company. The Supervisors also performed their duties diligently and acted in the best interests of the Company's shareholders as a whole.

(2) Through attending each and every Board meeting of the Company in 2011, all Supervisors have effectively overseen the legitimacy of the Board meetings, the lawfulness of the resolutions, the compliance with the laws and regulations and the Articles of Association of the Company, the conformity with the resolutions of the general meetings as well as the practical needs to facilitate the operations and development of the Company.

(3) Through various activities including the attendance at the general manager's meetings, the Supervisory Committee has effectively monitored significant economic activities of the Company such as resources integration, connected transactions, budget performance of subsidiaries and branch and tenders for major purchasing. The Supervisory Committee members have conducted site visits, investigation and research studies to provide relevant opinions and recommendations regarding the issues concerned.

(4) The Supervisory Committee has monitored the lawfulness and truth of the financial operations of the Company by examining its financial plans and reviewing various financial statements of the Company.

(5) The Supervisory Committee has monitored the performance of the senior management of the Company and the management of the Company's subsidiaries, maintained frequent communications with them and offered their opinions and suggestions on job performance.

During the Reporting Year, all Supervisors have been actively learning business-related knowledge and the laws and regulations to uplift their ability of job performance. They carried out their obligations and duties diligently in accordance with the annual work plan of the Supervisory Committee. The two independent Supervisors, who are experienced financial specialists, have made significant progress in enhancing the Supervisory Committee's ability to monitor the lawfulness of the financial operation of the Company through improving the independence of the Supervisory Committee.

2. Independent Opinion of the Supervisory Committee

(1) Legitimate Operation by the Company

In 2011, the Company carried out its operations in strict compliance with the relevant laws and regulations including the Company Law, the Articles of Association of the Company, the Corporate Governance Code as set out in the Listing Rules and the Guidelines for the Internal Control System of Listed Companies. Each of the general meeting, the Board of Directors, the Supervisory Committee and the senior management has clear roles and function and has performed their own duties in accordance with respective operating procedures, and has complied with codes, laws and regulations, attained efficiency, and ensured the smooth implementation of various major works of the Company.

(2) Assets of the Company

During the Reporting Year, the Company further injected RMB125,400,000 by way of cash to the registered capital of Xinjiang Wuxin in proportion to its 66% equity interests in Xinjiang Wuxin as approved by the third extraordinary meeting of the second session of the Board of the Company. The increase in capital will facilitate the completion of construction and the commencement of production in Xinjiang Wuxin in the year 2012. By utilizing the abundant copper resources in Xinjiang and adopting international state-of-the-art technology, it will become the first large-scale copper smelting corporate in Xinjiang with an annual smelting capability of 100 thousand tonnes of copper cathode. Xinjiang Wuxin will bring forth enormous economic benefits to the Company and thus be in the best interests of all the Company's shareholders. The Company injected a capital of RMB100 million to establish a wholly-owned subsidiary, Beijing Xinding Shunze High-tech Co. Ltd. (北京鑫鼎順澤高科技有限責任公司) in the Shunyi district of Beijing city with the approval of the eighth meeting of the second session of the Board of the Company. The scope of operation of the subsidiary company mainly includes technology research and development, industrial investment of non-ferrous metals and the purchasing and sales of non-ferrous metals such as copper and nickel, it will certainly provide powerful support for the sustainable development of the Company. The early stage of its construction work has been progressing smoothly.

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

(3) Financial Management of the Company

PricewaterhouseCoopers Zhong Tian CPAs Limited Company have audited the 2011 financial accounting report of the Company which have been prepared in accordance with the CASBE and issued the auditors' report with unqualified opinion. The Company has further improved its internal auditing system and the financial accounting management system, made tax payments in compliance with the laws and regulations, and proactively co-operated and accepted the auditing supervision by internal and external entities. The financial statements prepared by the Company truly reflected the financial condition of the Company. Operating revenue of the Company for 2011 was RMB1,454.6 million and the profit attributable to owners of the Company was RMB191.3 million.

During the Reporting Year, the Company has not encountered any circumstances of misappropriation of fund of the Company by controlling shareholders or other connected parties.

(4) Connected Transactions

During the Reporting Year, the Company was involved in connected transactions with its controlling shareholder Xinjiang Non-ferrous Metal Industry (Group) Ltd. (新疆有色金屬工業（集團）有限責任公司) and its subsidiaries, with regard to construction service, supply of raw material and transportation which amounted to RMB386.6 million, labour service payment to Fuyun Xingtong which amounted to RMB3.4 million, product sales which amounted to RMB31.2 million and lease payment which amounted to RMB1.6 million. All connected transactions were conducted within the scope of the Mutual Supply Master Agreement between Xinjiang Non-ferrous Metal Industry (Group) Ltd. and Xinjiang Xinxin Mining Industry Co., Ltd.. The transaction amounts also have not exceeded the Company's 2011 annual caps of continuing connected transaction, which were approved by the relevant Board meetings and general meeting of the Company. All transactions were made pursuant to normal commercial terms, being fair and reasonable. No deterioration of the Company's interests was found upon reviews. The Company has also engaged PricewaterhouseCoopers Zhong Tian CPAs Limited Company to perform the duties of international auditors and perform certain procedures on the connected transactions, for details please refer to pages 44 to 45 of this annual report.

(5) Internal Control of the Company

During the Reporting Year, the Company has further improved its internal operation control system, which was implemented efficiently and effectively.

The Company complied with laws and regulations on financial management and adopted high level internal auditing, strengthening costs control, increasing revenue and reducing expenses as control procedures in the financial operation of the Company.

The Company implemented a series of review and job appraisal mechanism on the remuneration management, being fair and transparent, to enhance the motivation of staff substantially.

On production management, the Company explored internal potentials and endeavored to increase and stabilize production, pursued micro-management, uplifted levels of skills and techniques further and continuously improved the recycle rate of metal and the ability of comprehensive multi-metal recycling, with the annual safe production target achieved solidly.

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

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

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

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

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

Due to the great efforts and practical measures to pursue internal controls, the Company has recorded a relatively good results of operation in 2011 despite the major product market prices plunged under the influence of international situation.

(6) Performance of Duties by the Directors and Senior Management

All directors and senior management of the Company were diligent and responsible in their work during 2011. They conformed to the laws and regulations and demonstrated cooperation. Their duties were properly segregated. They were responsible and ensured effective implementation of all resolutions as approved by general meetings and Board meetings. In carrying out their duties, there were no breaches of the laws and regulations, the Articles of Association of the Company or any other actions which were against the interests of the Company. As a result of the decisions and efficient implementation made by the Board and the senior management, the Company achieved outstanding performance in various aspects including production, safety, operations and technical improvement.

3. Focus of the Supervisory Committee in 2012

(1) To explore more new solutions and approaches in carrying out the supervisory works within the boundary of the laws and regulations. It will focus on various areas to optimize the system for performing duties so as to ensure effective implementation of the resolutions of general meetings and Board meetings.

(2) To focus the supervisory duties on business operations, cash flow, connected transactions and financial management of the Company. The Supervisory Committee will ensure all-round development of the Company and safeguard the interests of the shareholders of the Company.

(3) To improve style, conduct site visits, perform research studies and enhance its communication with the senior management and to establish better working atmosphere within the Supervisory Committee, in order to carry out the general and specific supervisory works. The members of the Supervisory Committee will endeavor to identify problems by carrying out their duties decisively and diligently, so as to assist the Company to operate in a systematic and organized manner.

(4) To endeavor to identify new situations and cope with new problems, and to strive to strengthen self-building of the Supervisory Committee, maintain its independent supervisory role and continue to improve its quality of work.

(5) To do a good job in the daily work of the Supervisory Committee.

Jiang Mingshun
Chairman of the Supervisory Committee
16 March 2012

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普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2012) No. 10021
(Page 1 of 2)

TO THE SHAREHOLDERS OF
XINJIANG XINXIN MINING INDUSTRY CO., LTD.

We have audited the accompanying financial statements of Xinjiang Xinxin Mining Industry Co., Ltd. (hereinafter "the Company"), which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated and company income statements, the consolidated and company statements of changes in shareholders' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

普华永道中天会计师事务所有限公司
PricewaterhouseCoopers Zhong Tian CPAs Limited Company, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
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AUDITOR'S REPORT
(continued)

PwC ZT Shen Zi (2012) No. 10021
(Page 2 of 2)

TO THE SHAREHOLDERS OF
XINJIANG XINXIN MINING INDUSTRY CO., LTD.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2011, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company

Shanghai, the People's Republic of China

16 March 2012

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2011

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Notes	**31 December 2011 Consolidated**	31 December 2010 Consolidated	**31 December 2011 Company**	31 December 2010 Company
ASSETS					
Current assets					
Cash at bank and on hand	*7(1)/14(1)*	**611,497,590.46**	1,545,857,673.26	**485,985,770.67**	1,140,978,897.26
Notes receivable	*7(2)/14(2)*	**293,053,627.37**	2,408,098.00	**286,113,627.37**	2,408,098.00
Interest receivable	*7(3)*	**211,414.77**	3,438,911.24	**211,414.77**	1,699,761.24
Accounts receivable	*7(4)/14(3)*	**75,015,347.87**	163,032,508.42	**98,022,500.11**	159,016,523.92
Advances to suppliers	*7(6)/14(5)*	**67,113,350.93**	29,200,903.63	**19,136,466.99**	192,630,064.37
Other receivables	*7(5)/14(4)*	**17,462,538.48**	60,759,160.48	**121,077,311.81**	53,735,804.63
Inventories	*7(7)/14(6)*	**688,100,398.94**	447,985,564.55	**595,886,734.72**	403,860,248.53
Other current assets	*7(8)/14(7)*	**53,055,049.93**	36,203,887.27	**25,613,409.06**	26,489,001.26
Total current assets		**1,805,509,318.75**	2,288,886,706.85	**1,632,047,235.50**	1,980,818,399.21
Non-current assets					
Long-term equity investments	*7(9)/14(8)*	**151,428,773.82**	146,421,574.27	**1,798,607,547.16**	1,477,896,806.40
Fixed assets	*7(10)/14(9)*	**1,428,032,052.41**	654,987,361.68	**1,142,687,855.07**	426,686,147.87
Construction materials	*7(11)*	**14,093,703.01**	13,022,260.22	**–**	8,423,868.69
Construction in progress	*7(12)*	**2,667,772,682.16**	2,238,313,689.68	**936,174,052.36**	1,387,553,045.00
Intangible assets	*7(13)/14(10)*	**969,754,943.63**	766,053,120.21	**324,801,421.77**	336,439,722.23
Goodwill	*7(14)*	**28,087,550.20**	27,832,805.11	**–**	–
Long-term prepaid expenses		**566,097.77**	533,128.68	**–**	–
Deferred tax assets	*7(26)*	**19,043,271.19**	29,562,971.04	**7,501,040.50**	6,850,902.70
Other non-current assets	*7(15)*	**159,898,326.50**	55,532,567.99	**5,280,000.00**	–
Total non-current assets		**5,438,677,400.69**	3,932,259,478.88	**4,215,051,916.86**	3,643,850,492.89
TOTAL ASSETS		**7,244,186,719.44**	6,221,146,185.73	**5,847,099,152.36**	5,624,668,892.10

CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2011

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Notes	**31 December 2011 Consolidated**	31 December 2010 Consolidated	**31 December 2011 Company**	31 December 2010 Company
LIABILITIES AND OWNERS' EQUITY					
Current liabilities					
Short-term loans	7(24)	**250,000,000.00**	–	**250,000,000.00**	–
Notes payable	7(17)	**54,533,511.46**	36,343,647.00	**–**	–
Accounts payable	7(18)/14(11)	**94,354,985.37**	76,740,951.41	**141,439,120.32**	98,011,632.05
Advances from customers	7(19)/14(12)	**12,337,202.49**	3,987,003.38	**10,140,503.82**	3,408,822.48
Employee benefits payable	7(20)/14(13)	**52,608,823.66**	51,402,733.91	**42,544,591.17**	41,629,886.48
Taxes payable	7(21)/14(14)	**32,244,740.70**	13,705,579.05	**20,415,583.37**	4,159,636.60
Other payables	7(22)/14(15)	**287,114,544.91**	164,457,647.87	**71,028,145.81**	67,537,112.05
Total current liabilities		**783,193,808.59**	346,637,562.62	**535,567,944.49**	214,747,089.66
Non-current liabilities					
Provisions	7(23)/14(16)	**6,117,678.30**	6,839,546.51	**5,373,521.00**	6,004,041.00
Long-term loans	7(24)	**569,000,000.00**	30,000,000.00	**10,000,000.00**	–
Deferred tax liabilities	7(26)	**150,863,045.84**	102,957,311.05	**–**	–
Other non-current liabilities	7(25)	**39,763,291.04**	39,595,650.88	**16,315,399.56**	16,437,981.52
Total non-current liabilities		**765,744,015.18**	179,392,508.44	**31,688,920.56**	22,442,022.52
Total liabilities		**1,548,937,823.77**	526,030,071.06	**567,256,865.05**	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
Specific reserve	7(29)	**–**	–	**–**	–
Surplus reserve	7(30)	**217,192,800.32**	194,806,549.58	**217,192,800.32**	194,806,549.58
Undistributed profits	7(31)	**314,373,550.50**	476,994,280.77	**255,394,629.50**	385,418,372.85
Total equity attributable to equity holders of the Company		**5,338,821,208.31**	5,479,055,687.84	**5,279,842,287.31**	5,387,479,779.92
Minority interests	7(32)	**356,427,687.36**	216,060,426.83	**–**	–
Total owners' equity		**5,695,248,895.67**	5,695,116,114.67	**5,279,842,287.31**	5,387,479,779.92
TOTAL LIABILITIES AND OWNERS' EQUITY		**7,244,186,719.44**	6,221,146,185.73	**5,847,099,152.36**	5,624,668,892.10

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

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Yuan Ze	He Hongfeng	Li Jianhua

CONSOLIDATED AND COMPANY INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Notes	**2011 Consolidated**	2010 Consolidated	**2011 Company**	2010 Company
Revenue	*7(33)/14(17)*	**1,454,642,681.85**	1,168,064,489.53	**1,461,511,244.71**	1,115,511,685.77
Less: Cost of sales	*7(33)/14(17)*	**(1,059,897,729.78)**	(715,739,402.85)	**(1,195,305,609.34)**	(758,353,942.45)
Taxes and surcharges	*7(34)*	**(6,803,105.25)**	(617,153.60)	**(3,971,174.18)**	(118,894.83)
Selling and distribution expenses	*7(35)*	**(11,835,237.87)**	(6,246,546.78)	**(8,789,299.96)**	(4,927,672.69)
General and administrative expenses	*7(36)*	**(135,733,829.46)**	(119,544,278.32)	**(101,021,844.28)**	(91,948,934.94)
Financial income – net	*7(37)*	**14,526,283.73**	37,540,451.66	**9,403,693.47**	34,249,140.69
Asset impairment losses	*7(16)/7(38)*	**(13,343,944.15)**	(148,014.17)	**(10,418,668.98)**	(148,014.17)
Investment income/(losses)	*7(39)/14(18)*	**5,007,199.55**	(3,075,953.19)	**111,071,231.13**	(1,911,370.76)
Including: Share of profit/(losses) of associate and joint venture		**5,007,199.55**	(3,075,953.19)	**5,310,740.76**	(1,911,370.76)
Operating profit		**246,562,318.62**	360,233,592.28	**262,479,572.57**	292,351,996.62
Add: Non-operating income	*7(40)*	**9,122,997.06**	11,446,088.69	**7,435,015.32**	7,918,564.58
Less: Non-operating expenses	*7(41)*	**(4,719,613.89)**	(19,663,420.13)	**(3,907,300.95)**	(17,258,224.05)
Including: Losses on disposal of non-current assets		**(1,864,739.71)**	(2,160,767.56)	**(1,753,749.10)**	(2,150,013.00)
Total profit		**250,965,701.79**	352,016,260.84	**266,007,286.94**	283,012,337.15
Less: Income tax expenses	*7(42)/14(19)*	**(60,550,910.80)**	(1,847,828.05)	**(42,144,779.55)**	2,116,446.09
Net profit		**190,414,790.99**	350,168,432.79	**223,862,507.39**	285,128,783.24
Attributable to equity holders of the Company		**191,265,520.47**	350,211,455.39	**223,862,507.39**	285,128,783.24
Minority interests		**(850,729.48)**	(43,022.60)	**–**	–
Earnings per share					
Basic earnings per share	*7(43)*	**0.087**	0.158	**–**	–
Diluted earnings per share	*7(43)*	**0.087**	0.158	**–**	–
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income		**190,414,790.99**	350,168,432.79	**–**	–
Attributable to equity holders of the Company		**191,265,520.47**	350,211,455.39	**–**	–
Minority interests		**(850,729.48)**	(43,022.60)	**–**	–

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

Proposed final dividends	*7(31)/12(3)*	**66,300,000.00**	331,500,000.00	**–**	–

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Notes	2011 Consolidated	2010 Consolidated	2011 Company	2010 Company
Cash flows from operating activities					
Cash received from sales of goods		**1,498,461,669.31**	1,121,576,778.58	**1,488,763,448.75**	1,064,466,069.67
Refund of taxes and surcharges		**–**	1,181,703.65	**–**	1,181,703.65
Cash received relating to other operating activities	7(44)(a)	**34,009,072.33**	77,543,347.59	**26,624,468.68**	68,777,591.06
Sub-total of cash inflows		**1,532,470,741.64**	1,200,301,829.82	**1,515,387,917.43**	1,134,425,364.38
Cash paid for goods and services		**(1,234,855,678.83)**	(673,751,591.96)	**(1,205,528,257.01)**	(936,802,551.41)
Cash paid to and on behalf of employees		**(267,311,684.50)**	(200,150,872.42)	**(201,245,760.37)**	(160,322,306.47)
Payments of taxes and surcharges		**(134,637,335.62)**	(133,024,066.76)	**(92,448,111.42)**	(87,555,812.81)
Cash paid relating to other operating activities	7(44)(b)	**(52,124,915.55)**	(107,609,490.39)	**(20,863,529.88)**	(74,117,771.36)
Sub-total of cash outflows		**(1,688,929,614.50)**	(1,114,536,021.53)	**(1,520,085,658.68)**	(1,258,798,442.05)
Net cash flows from operating activities	7(44)(c)/14(20)(a)	**(156,458,872.86)**	85,765,808.29	**(4,697,741.25)**	(124,373,077.67)
Cash flows from investing activities					
Cash received from disposal of investments		**50,000,000.00**	–	**50,000,000.00**	–
Cash received from returns on investments		**442,400.00**	–	**105,760,490.37**	–
Cash received from disposal of fixed assets		**1,778,063.86**	3,944,076.87	**–**	227,085.71
Sub-total of cash inflows		**52,220,463.86**	3,944,076.87	**155,760,490.37**	227,085.71
Cash paid to acquire mining rights		**(6,216,651.47)**	(6,500,000.00)	**–**	–
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**(1,238,643,796.33)**	(972,538,373.88)	**(336,990,014.71)**	(478,876,612.45)
Cash paid to dispose fixed assets		**(504,754.79)**	–	**(504,754.79)**	–
Net cash paid to acquire a subsidiary	7(44)(f)	**(79,965,315.08)**	–	**(80,000,000.00)**	–
Cash paid to set up subsidiaries		**–**	–	**(110,000,000.00)**	–
Loan to a subsidiary		**–**	–	**(70,000,000.00)**	–
Cash paid to increase capital of subsidiaries		**–**	–	**(125,400,000.00)**	(330,000,000.00)
Sub-total of cash outflows		**(1,325,330,517.67)**	(979,038,373.88)	**(722,894,769.50)**	(808,876,612.45)
Net cash flows from investing activities		**(1,273,110,053.81)**	(975,094,297.01)	**(567,134,279.13)**	(808,649,526.74)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Notes	**2011 Consolidated**	2010 Consolidated	**2011 Company**	2010 Company
Cash flows from financing activities					
Cash received from borrowings		**839,000,000.00**	30,000,000.00	**310,000,000.00**	–
Cash received from capital contributions		**64,600,000.00**	170,000,000.00	**–**	–
Including: Cash received from minority shareholders of subsidiaries		**64,600,000.00**	170,000,000.00	**–**	–
Sub-total of cash inflows		**903,600,000.00**	200,000,000.00	**310,000,000.00**	–
Cash repayment of loans		**(50,000,000.00)**	–	**(50,000,000.00)**	–
Cash payments for distribution of dividends		**(331,500,000.00)**	(110,500,000.00)	**(331,500,000.00)**	(110,500,000.00)
Cash payments for interest expenses		**(25,716,155.57)**	–	**(6,345,875.55)**	–
Sub-total of cash outflows		**(407,216,155.57)**	(110,500,000.00)	**(387,845,875.55)**	(110,500,000.00)
Net cash flows from financing activities		**496,383,844.43**	89,500,000.00	**(77,845,875.55)**	(110,500,000.00)
Effect of foreign exchange rate changes on cash and cash equivalents		**–**	96,625.38	**–**	96,625.38
Net decrease in cash and cash equivalents	*7(44)(d)/14(20)(b)*	**(933,185,082.24)**	(799,731,863.34)	**(649,677,895.93)**	(1,043,425,979.03)
Add: Cash and cash equivalents at beginning of year	*7(44)(d)/14(20)(b)*	**1,501,686,084.60**	2,301,417,947.94	**1,134,663,666.60**	2,178,089,645.63
Cash and cash equivalent at end of year	*7(44)(d)/14(20)(b)*	**568,501,002.36**	1,501,686,084.60	**484,985,770.67**	1,134,663,666.60

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 SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Attributable to equity holders of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Specific reserve	Surplus reserve	Undistributed profits	Sub-total		
	(Note 7(27))	*(Note 7(28))*	*(Note 7(29))*	*(Note 7(30))*	*(Note 7(31))*		*(Note 7(32))*	
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								
Net profit	–	–	–	–	350,211,455.39	350,211,455.39	(43,022.60)	350,168,432.79
Profit distribution								
– Appropriation to surplus reserves	–	–	–	28,512,878.32	(28,512,878.32)	–	–	–
– Profit distribution to equity holders	–	–	–	–	(110,500,000.00)	(110,500,000.00)	–	(110,500,000.00)
Appropriation to specific reserve	–	–	6,972,403.11	–	–	6,972,403.11	–	6,972,403.11
Utilisation of specific reserve	–	–	(6,972,403.11)	–	–	(6,972,403.11)	–	(6,972,403.11)
Capital contribution by minority shareholders	–	–	–	–	–	–	170,000,000.00	170,000,000.00
Balance at 31 December 2010	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
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								
Net profit	**–**	**–**	**–**	**–**	**191,265,520.47**	**191,265,520.47**	**(850,729.48)**	**190,414,790.99**
Profit distribution								
– Appropriation to surplus reserve	**–**	**–**	**–**	**22,386,250.74**	**(22,386,250.74)**	**–**	**–**	**–**
– Profit distribution to equity holders	**–**	**–**	**–**	**–**	**(331,500,000.00)**	**(331,500,000.00)**	**–**	**(331,500,000.00)**
Appropriation to specific reserve	**–**	**–**	**8,699,470.70**	**–**	**–**	**8,699,470.70**	**–**	**8,699,470.70**
Utilisation of specific reserve	**–**	**–**	**(8,699,470.70)**	**–**	**–**	**(8,699,470.70)**	**–**	**(8,699,470.70)**
Capital contribution by minority shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**64,600,000.00**	**64,600,000.00**
Consolidation of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**76,617,900.01**	**76,617,900.01**
Balance at 30 June 2011	**552,500,000.00**	**4,254,754,857.49**	**–**	**217,192,800.32**	**314,373,550.50**	**5,338,821,208.31**	**356,427,687.36**	**5,695,248,895.67**

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

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Yuan Ze	He Hongfeng	Li Jianhua

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

	Share capital *(Note 7(27))*	Capital surplus *(Note 7(28))*	Specific reserve *(Note 7(29))*	Surplus reserve *(Note 7(30))*	Undistributed profits *(Note 7(31))*	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						
Net profit	–	–	–	–	285,128,783.24	285,128,783.24
Profit distribution						
– Appropriation to surplus reserves	–	–	–	28,512,878.32	(28,512,878.32)	–
– Profit distribution to equity holders	–	–	–	–	(110,500,000.00)	(110,500,000.00)
Appropriation to specific reserve	–	–	3,334,551.66	–	–	3,334,551.66
Utilisation of specific reserve	–	–	(3,334,551.66)	–	–	(3,334,551.66)
Balance at 31 December 2010	552,500,000.00	4,254,754,857.49	–	194,806,549.58	385,418,372.85	5,387,479,779.92
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						
Net profit	**–**	**–**	**–**	**–**	**223,862,507.39**	**223,862,507.39**
Profit distribution						
– Appropriation to surplus reserve	**–**	**–**	**–**	**22,386,250.74**	**(22,386,250.74)**	**–**
– Profit distribution to equity holders	**–**	**–**	**–**	**–**	**(331,500,000.00)**	**(331,500,000.00)**
Appropriation to specific reserve	**–**	**–**	**3,872,431.18**	**–**	**–**	**3,872,431.18**
Utilisation of specific reserve	**–**	**–**	**(3,872,431.18)**	**–**	**–**	**(3,872,431.18)**
Balance at 31 December 2011	**552,500,000.00**	**4,254,754,857.49**	**–**	**217,192,800.32**	**255,394,629.50**	**5,279,842,287.31**

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

Legal representative:	Principal in charge of accounting:	Head of accounting department:
Yuan Ze	He Hongfeng	Li Jianhua

NOTES TO FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2011

(All amounts in RMB Yuan unless otherwise stated)

(English Translation for Reference Only)

1 General information

Xinjiang Xinxin Mining Industry Co., Ltd. ("the Company") was incorporated on 1 September 2005 in Urumqi, Xinjiang Uygur Autonomous Region of the People's Republic of China (the "PRC") together by Xinjiang Non-ferrous Metal Industry (Group) Ltd. ("Xinjiang Non-ferrous Group"), Shanghai Yilian Kuangneng Co., Ltd. ("Shanghai Yilian"), Zhongjin Investment (Group) Ltd. ("Zhongjin Investment"), Xiamen Zijin Technology Co., Ltd. (now changed the name to Zijin Mining Group (Xiamen) Investment Co., Ltd. "Xiamen Zijin"), Xinjiang Xinying New Material Co., Ltd. ("Xinjiang Xinying") and Shaanxi Honghao Industry Co., Ltd. ("Shaanxi Honghao"). Xinjiang Non-ferrous Group is the holding company. The Company is established with the total equity of RMB300,000,000.00 divided into 300,000,000 shares of RMB1 each.

On 19 May 2006 the Company issued 80,000,000 new shares of RMB1 each, the registered capital increased from RMB300,000,000.00 to RMB380,000,000.00. Xinjiang Non-ferrous Group injected 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 paid the increased capital in cash.

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

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

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

These financial statements were authorised for issue by the Company's Board of Directors on 16 March 2012.

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 collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS").

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2011 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 31 December 2011 and of their financial performance, cash flows and other information for the year then ended.

4 Summary of significant accounting policies and accounting estimates

(1) Accounting year

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

(2) Recording currency

The recording currency is Renminbi (RMB).

(3) 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. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(4) Preparation of consolidated financial statements

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

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

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

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

(4) Preparation of consolidated financial statements *(continued)*

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

(5) Cash and cash equivalents

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

(6) 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.

(7) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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 (Note 4(8)). The Group's financial assets are receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including accounts receivable and other receivables.

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

(7) Financial instruments *(continued)*

(a) Financial assets *(continued)*

(ii) Recognition and measurement

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

Receivables are measured at amortised cost using the effective interest method.

(iii) Impairment of financial assets

The Group assesses the carrying amounts of receivables at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment loss is provided for (Note 4(8)). When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

(iv) Derecognition of financial assets

A financial asset is derecognised when any of the below criteria is met: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (iii) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

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

(7) Financial instruments *(continued)*

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group mainly comprise other financial liabilities, including payables and borrowings.

Payables, including accounts payable and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

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

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. 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, etc. 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.

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

(8) 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 with amounts that are individually significant and subject to separate assessment for provision for bad debts

Receivables with amounts that are individually significant are subject to assessment for impairment on the individual basis. If there exists objective evidence that the Group will not be able to collect the amount under the original terms, a provision for impairment of that receivable is made.

The method of providing for bad debts for those individually significant amounts is as follows: the amount of the present value of the future cash flows expected to be derived from the receivable below its carrying amount.

(b) Receivables that are subject to provision for bad debts on the grouping basis

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.

Basis for grouping is the ageing of receivables of the customers and the impairment losses are determined using the ageing analysis method.

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

	Ratios used for accounts receivable
Within 1 year	0%~5%
1 to 2 years	5%~30%
2 to 3 years	60%
Above 3 years	100%

	Ratios used for other receivables
1 to 4 years	0%
Above 4 years	5%~10%

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

(8) Receivables *(continued)*

(c) Receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts

The reason for making separate assessment for provision for bad debts is that there exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.

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 receivable below its carrying amount.

(d) When the Group transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

(9) Inventories

(a) Classification

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

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

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

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

(d) The Group adopts the perpetual inventory system.

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

(10) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, 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. Joint ventures 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 to the equity method when preparing the consolidated financial statements. Investments in joint ventures 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 investees 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

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

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

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

(10) Long-term equity investments *(continued)*

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

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

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

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

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

Control is 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, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable, etc.

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.

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

(10) 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(18)). 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.

(11) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

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

(11) Fixed assets *(continued)*

(b) Depreciation methods of fixed assets *(continued)*

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

Categories	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	10 to 50 years	3% or 5%	1.94% to 9.5%
Machinery	5 to 20 years	3% or 5%	4.85% to 19.0%
electronic and office equipment	3 to 12 years	3% or 5%	8.08% to 31.67%
Motor vehicles	4 to 12 years	3% or 5%	8.08% to 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 fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

(c) The carrying amount of fixed assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(18)).

(d) Disposal of fixed assets

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

(12) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(18)).

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

(13) Borrowing costs

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

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

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

(14) Intangible assets

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

(a) Mining rights

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

(b) Exploration rights

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

(c) Land use rights

Land use rights invested by the share shareholders holders are recognised at the value agreed by all the shareholders unless the agreed value is not fair. Purchased land use rights are stated at actual cost. Land use rights are amortised on the straight-line basis over the period of the land use rights varying from 10 to 50 years.

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

(d) Periodical review of useful life and amortisation method

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

(e) Impairment of intangible assets

The carrying amount of intangible assets shall be reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 4(18)).

(15) Exploration assets and filling cost

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

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

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

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

(16) 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.

(17) Long-term prepaid expenses

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

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

(18) Impairment of long-term assets

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

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

(19) 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.

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.

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

(19) Employee benefits *(continued)*

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.

As at 31 December 2011, the cash-settled share appreciation rights plan expired.

(20) Dividend distribution

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

(21) Provisions

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

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

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

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

(22) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(23) 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 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:

(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.

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

(24) Leases

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

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

(25) 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 is 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 is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. Government 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 Group in the subsequent periods, the grant is 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 Group, the grant is recognised immediately in profit or loss for the current period.

(26) 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.

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

(27) Critical accounting estimates and assumptions

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

Critical accounting estimates and key assumptions

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

(a) Carrying value of non-current assets

The Group tests whether fixed assets, construction in progress land use rights, mining rights and exploration 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(18) to the financial statements.

As at 31 December 2011, there was no impairment indication noted for fixed assets, land use rights, mining rights and exploration rights. Had impairment test been performed, the recoverable amounts of different cash generating units to which the fixed assets, land use rights, mining rights and exploration 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 non-ferrous metals, discount rates and inflation rate.

(b) Goodwill impairment assessment

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

As at 31 December 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 and management's assumptions and estimates including forecast of selling price of nickel and copper, discount rates and inflation rate.

(c) Useful lives of fixed assets

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

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

(27) Critical accounting estimates and assumptions *(continued)*

Critical accounting estimates and key 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 mineral reserve quantity being mined (the denominator) and capitalised costs of mining structures (the numerator). The capitalised cost of mining structures is amortised based on the units of non-ferrous metals produced.

(e) Income tax

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

(f) Estimate of inventory net realizable value

Based on the estimated net realizable value of inventory, the Group writes down the value. Write-down evaluation needs judgment and estimate of the management. Once difference occurs between the expectation and the original estimate will influence the book value of the current inventory and inventory shrinkage.

5 Taxation

The principal 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 per ton or RMB7.6 per ton *(note 3)*	Amount of ore output during the current month
Urban construction tax/ Education surcharge	7%/3%	Value added tax, business tax and consumption tax
Mineral compensation	Tax standards of mineral products of located place *(note 4)*	Actual sales income 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. This New Income Tax Law came effective since 1 January 2008. The Group's applicable corporate income tax rate has been adjusted from 33% to 25% since 1 January 2008.

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

(a) The Company, including Kalatongke Mine and Fukang Refinery, 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 polices expired in 2010 and the new preferential tax polices for the Region are being developed, the Company recognises income tax at the rate of 25% for the year ended 31 December 2011.

(b) The applicable income tax rate of Shanghai Sales Branch is 25% in 2011 (2010: 25%).

(c) The subsidiary, Mengxi Mining Industry Co. Ltd., (hereafter "Mengxi Mining"), incorporated in 2008, is subject to corporate income tax rate of 25% (2010: 25%).

(d) The subsidiary, Xinjiang Yakesi Resource Development Co., Ltd. (hereafter "Xinjiang Yakesi"), qualifies as a foreign investment manufacturing enterprise established in Hami, Xinjiang Uygur Autonomous Region in 2009. Xinjiang Yakesi was subject to corporate income tax based on a reduced tax rate of 15% from 2005 to 2010. The new preferential tax policies for western enterprises were issued on 27 July 2011 and the specific regulations are still being developed. As a result of communication with local tax authorities, Xinjiang Yakesi calculated and paid quarterly income tax expense using the preferential rate of 15% for the year ended 31 December 2011 (2010: 15%).

5 Taxation *(continued)*

(1) Corporate income tax *(continued)*

(e) The subsidiary, Hami Jubao Resource Development Co., Ltd. (hereafter "Hami Jubao"), qualifies as a foreign investment manufacturing enterprise established in Hami, Xinjiang Uygur Autonomous Region in 2009. Hami Jubao was exempted from corporate income tax from 2007 to 2008 and subject to corporate income tax based on a reduced tax rate of 7.5% from 2009 to 2010. The new preferential tax policies for western enterprises were issued on 27 July 2011 and the specific regulations are still being developed. As a result of communication with local tax authorities, Hami Jubao calculated and paid quarterly income tax expense using the preferential rate of 7.5% for the year ended 31 December 2011 (2010: 7.5%).

(f) The subsidiary, Zhongxin Mining Industry Co., Ltd. (hereafter "Zhongxin Mining"), incorporated in 2009, is subject to corporate income tax rate of 25% in 2011 (2010: 25%).

(g) The subsidiary, Wuxin Copper Mining Co., Ltd. (hereafter "Wuxin Copper Mining"), incorporated in 2009, is subject to corporate income tax rate of 25% in 2011 (2010: 25%).

(h) The subsidiary, Xinjiang Kalatongke Mining industry Co., Ltd. (hereafter "Kalatongke Mining"), incorporated in 2011, is subject to corporate income tax rate of 25%.

(i) The subsidiary, Beijing Xinding Shunze High Technology Co., Ltd. (hereafter "Beijing Xinding"), incorporated in 2011, is subject to corporate income tax rate of 25%.

(j) The subsidiary, Shaanxi Xinxin Mining Co., Ltd. (hereafter "Shaanxi Xinxin"), acquired in 2011, is subject to corporate income tax rate of 25%.

(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. Value-added tax payable equals to the output VAT less deductible input VAT of current period.

(3) Resources tax

Pursuant to "Notification of Financial Department of Xinjiang 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 since 1 January 2008, and Xinjiang Yakesi and Hami Jubao pay RMB6 per ton since 1 January 2008.

5 Taxation *(continued)*

(4) Mineral compensation

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

Mineral resources compensation fee = (high grade nickle from ore – purchased nickle) × current day sales price × (1 + 5.72%) × valuation coefficient × 2% × recovery rate + (high grade copper of sold copper powder – purchased copper) × current day sales price×valuation coefficient × 2% × recovery rate

Based on the regulations issued by Aletai Land and Resources Bureau in Xinjiang Autonomous Region, valuation coefficient of nickle is 70%, and copper is 60%.

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

Mineral resources compensation fee = sales revenue of fine nickel and copper × mineral compensation rate 2% × recovery rate

6 Business combination and consolidated financial statements

(1) Subsidiaries

(a) Subsidiaries acquired from establishment or investment

Name of subsidiaries	Type	Place of registration	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Mengxi Mining	Controlling	Hami, the PRC	15,918,400.00	Mineral resources exploration, investment, processing and sales	Co., Ltd.	Zhang Guohua	676306990
Wuxin Copper Mining	Controlling	Fukang, the PRC	790,000,000.00	Common non-ferrous metal smelting, processing and sales	Co., Ltd.	Sun Baohui	68959791-8
Kalatongke Mining	Wholly-owned	Fuyun, the PRC	10,000,000.00	Copper and nickel ore processing and smelting, copper, nickel, lead, zinc and other non-ferrous metal processing and products sales	Co., Ltd.	Liu Zhaohui	57621024-6
Beijing Xinding	Wholly-owned	Beijing, the PRC	100,000,000.00	Development of technology, provision of technical services, consultancy of education, investment management, and sales of mineral products, metal materials, chemical products and mechanical equipment	Co., Ltd.	Wang Zhongwen	57909372-7

6 Business combination and consolidated financial statements *(continued)*

(1) Subsidiaries *(continued)*

(a) Subsidiaries acquired from establishment or investment *(continued)*

Name of subsidiaries	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority interests	Amount of profit or loss attributed to the minority shareholders
Mengxi Mining	10,200,000.00	Not applicable	51%	51%	Yes	9,836,308.34	–
Wuxin Copper Mining	521,400,000.00	Not applicable	66%	66%	Yes	267,341,206.45	(876,941.87)
Kalatongke Mining	10,000,000.00	Not applicable	100%	100%	Yes	–	–
Beijing Xinding	100,000,000.00	Not applicable	100%	100%	Yes	–	–

The Company injected additional capital to Wuxin Copper Mining with amount of RMB125,400,000.00 according to the shareholding in 2011.

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

Name of subsidiaries	Type	Place of registration	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Xinjiang Yakesi	Wholly-owned	Hami, the PRC	500,000,000.00	Copper and nickel mining, processing and sales	Co., Ltd.	Guo Quan	71296966-1
Hami Jubao	Wholly-owned	Hami, the PRC	5,000,000.00	Copper and nickel mining, processing and sales	Co., Ltd.	Guo Quan	71077102-9
Zhongxin Mining	Controlling	Hami, the PRC	120,000,000.00	Minerals products smelting and sales	Co., Ltd.	Guo Quan	78465134-5
Shaanxi Xinxin	Controlling	Shangnan, the PRC	10,000,000.00	Provision of mineral investment, planning and consultancy services, and sales of mineral products	Co., Ltd.	Liu Jun	56714956-X

Name of subsidiaries	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries	% equity interest held by the Group	% voting rights held by the Group	Consolidated or not	Minority Interests	Amount of profit or loss attributed to the minority shareholders
Xinjiang Yakesi	720,171,915.12	Not applicable	100%	100%	Yes	–	–
Hami Jubao	91,100,349.00	Not applicable	100%	100%	Yes	–	–
Zhongxin Mining	118,659,156.75	Not applicable	97.58%	97.58%	Yes	2,735,866.20	–
Shaanxi Xinxin	80,000,000.00	Not applicable	51%	51%	Yes	76,514,306.37	(103,683.64)

6 Business combination and consolidated financial statements *(continued)*

(2) Entities newly included in the consolidation scope in the current year

	Net assets	Net (loss)/profit for the current year
Shaanxi Xinxin[(i)]	156,151,645.65	(211,599.27)
Beijing Xinding[(ii)]	99,734,379.38	(265,620.62)
Kalatongke Mining[(ii)]	10,025,967.81	25,967.81

(i) Shaanxi Xinxin was acquired in a business combination involving enterprises not under common control. The net loss for the current year is the net loss recorded from the acquisition date to 31 December 2011 (Note 6(3)).

(ii) Beijing Xinding and Kalatongke Mining are newly incorporated subsidiaries in 2011. The net loss/profit for the current year is the net loss/profit recorded from the date of incorporation to 31 December 2011.

(3) Business combinations involving entities not under common control

	Amount of goodwill	Calculation of goodwill
Shaanxi Xinxin	254,745.09	Goodwill is recognised at the excess of the combination cost over the acquirer's interests in the fair value of the acquiree's identifiable net assets acquired during the acquisition. The calculation is as follows.

On 30 September 2011, the Company acquired 60% of the equity interests in Shaanxi Xinxin from Shaanxi Mingtai Engineering Co., Ltd.. The acquisition date is 30 September 2011, the day on which the Company actually obtained the control over Shaanxi Xinxin.

(i) Details of the costs of combination and the fair value of the share of identifiable net assets obtained are as follows:

Costs of combination – Cash paid	80,000,000.00
Less: fair value of the share of identifiable net assets obtained	(79,745,254.91)
Goodwill	254,745.09

6 Business combination and consolidated financial statements *(continued)*

(3) Business combinations involving entities not under common control *(continued)*

(ii) The assets and liabilities of Shaanxi Xinxin at the acquisition date, and the cash flows relating to the acquisition are as follows:

	Acquisition date Fair value	Acquisition date Carrying amount
Cash at bank and on hand	34,684.92	34,684.92
Receivables	80,000.00	80,000.00
Intangible assets	208,153,000.00	13,000,000.00
Other non-current assets	83,810.00	83,810.00
Less: Other payables	(3,200,000.00)	(3,200,000.00)
Deferred tax liabilities	(48,788,250.00)	–
Net assets	156,363,244.92	9,998,494.92
Less: minority interests	(76,617,990.01)	
Net assets obtained	79,745,254.91	
Consideration settled in cash	80,000,000.00	
Less: cash and cash equivalents in the subsidiary acquired	(34,684.92)	
Net cash outflow on acquisition of the subsidiary	79,965,315.08	

There was no comparative figures for Shaanxi Xinxin as at 31 December 2010 for Shaanxi Xinxia.

The fair value of the assets and liabilities of Shaanxi Xinxin at the acquisition date are determined by the Group using valuation techniques. The valuation method and critical assumptions applied are as follows:

The valuation method used for intangible assets is multi-period excess earnings method, using the critical assumptions including estimates of selling prices, discounting rate and inflation rate.

(iii) The revenue, net profit and cash flows of Shaanxi Xinxin for the period from the acquisition date to 31 December 2011 are as follows:

Revenue	–
Net loss	211,599.27
Cash flows generated from operating activities	457,893.73
Net cash inflows	157,893.73

7 Notes to the consolidated financial statements

(1) Cash and bank balances

	31 December 2011	31 December 2010
Cash on hand	**52,164.69**	10,317.43
Cash at bank	**568,448,837.67**	1,501,675,767.17
Restricted cash at banks *(Note (a))*	**42,996,588.10**	44,171,588.66
	611,497,590.46	1,545,857,673.26

(a) Included in the restricted cash at banks, approximately RMB37,669,127.88 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 RMB3,325,757.44 was set aside as guarantee deposits for environmental recovery and safety of production (31 December 2010: RMB7,827,941.66), and approximately RMB2,001,702.78 was set aside as deposits for compensation of industrial injury of migrant workers (31 December 2010: nil).

(2) Notes receivable

	31 December 2011	31 December 2010
Bank acceptance notes	**293,053,627.37**	2,408,098.00

The ageing of notes receivable is within 180 days. On 31 December 2011, the Group pledged notes receivable of RMB19,530,000.00 (31 December 2010: nil) to the banks as the guarantee of issuing notes payable.

(3) Interest receivable

	31 December 2011	31 December 2010
Interest on bank deposits	**211,414.77**	3,438,911.24

7 Notes to the consolidated financial statements *(continued)*

(4) Accounts receivable

	31 December 2011	31 December 2010
Accounts receivable	**78,025,535.80**	165,752,898.81
Less: provision for bad debts	**(3,010,187.93)**	(2,720,390.39)
	75,015,347.87	163,032,508.42

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

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

	31 December 2011			31 December 2010		
	Amount	**% of total balance**	**Provision for bad debts**	Amount	% of total balance	Provision for bad debts
With 1 year	**74,205,090.32**	**95.10%**	**(103,410.62)**	162,363,403.61	97.96%	(51,670.06)
1 to 2 years	**769,954.70**	**0.99%**	**(57,886.41)**	840,563.12	0.51%	(249,528.94)
2 to 3 years	**501,558.70**	**0.64%**	**(299,958.82)**	324,351.70	0.20%	(194,611.01)
3 to 4 years	**324,351.70**	**0.42%**	**(324,351.70)**	–	–	–
Over 5 years	**2,224,580.38**	**2.85%**	**(2,224,580.38)**	2,224,580.38	1.33%	(2,224,580.38)
	78,025,535.80	**100.00%**	**(3,010,187.93)**	165,752,898.81	100.00%	(2,720,390.39)

7 Notes to the consolidated financial statements *(continued)*

(4) Accounts receivable *(continued)*

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

	31 December 2011				31 December 2010			
	Ending balance		**Provision for bad debts**		Ending balance		Provision for bad debts	
	Amount	**% of total balance**	**Amount**	**Ratio**	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	**–**	**–**	**–**	**–**	–	–	–	–
That the related provision for bad debts is provided on the grouping basis	**78,025,535.80**	**100.00%**	**(3,010,187.93)**	**3.86%**	165,752,898.81	100.00%	(2,720,390.39)	1.64%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	**–**	**–**	**–**	**–**	–	–	–	–
	78,025,535.80	**100.00%**	**(3,010,187.93)**	**3.86%**	165,752,898.81	100.00%	(2,720,390.39)	1.64%

(c) The groups of accounts receivable used ageing analysis method for the purpose of bad debt assessment are analysed as follows:

	31 December 2011				31 December 2010			
	Ending balance		**Provision for bad debts**		Ending balance		Provision for bad debts	
	Amount	**% of total balance**	**Amount**	**Ratio**	Amount	% of total balance	Amount	Ratio
Within 1 year	**74,205,090.32**	**95.10%**	**(103,410.62)**	**0.14%**	162,363,403.61	97.96%	(51,670.06)	0.03%
1 to 2 years	**769,954.70**	**0.99%**	**(57,886.41)**	**7.52%**	840,563.12	0.51%	(249,528.94)	29.69%
2 to 3 years	**501,558.70**	**0.64%**	**(299,958.82)**	**59.81%**	324,351.70	0.20%	(194,611.01)	60.00%
3 to 4 years	**324,351.70**	**0.42%**	**(324,351.70)**	**100.00%**	–	–	–	–
Over 5 years	**2,224,580.38**	**2.85%**	**(2,224,580.38)**	**100.00%**	2,224,580.38	1.33%	(2,224,580.38)	100.00%
	78,025,535.80	**100.00%**	**(3,010,187.93)**	**3.86%**	165,752,898.81	100.00%	(2,720,390.39)	1.64%

7 Notes to the consolidated financial statements *(continued)*

(4) Accounts receivable *(continued)*

(d) As at 31 December 2011, there were no accounts receivable from shareholders who held more than 5%(including 5%) of the voting rights of the Company (2010: Nil).

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

	As at 31 December 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**	**1.61%**	**(330,472.14)**	1,255,416.10	0.76%	(184,453.23)
Xinjiang Haoxin Lithia Developing Co., Ltd.	**324,351.70**	**0.42%**	**(324,351.70)**	324,351.70	0.20%	(194,611.02)
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**502,200.00**	**0.64%**	**–**	–	–	–
Fukang Non-ferrous Development Co., Ltd.	**–**	**–**	**–**	86,773.60	0.05%	(8,092.08)
	2,081,967.80	**2.67%**	**(654,823.84)**	1,666,541.40	1.01%	(387,156.33)

(f) As at 31 December 2011, the top five accounts receivable are analysed as follows:

	Relationship with the Group	**Amount**	**Ageing**	**% of total balance**
Jiuquan Steel Group Tianfeng Stainless Steel Co., Ltd.	Third party	60,898,979.12	Within 1 year	78.05%
Shanghai Luyue Trading Co., Ltd.	Third party	9,652,456.25	Within 1 year	12.37%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related party	1,255,416.10	within 3 years	1.61%
Shanghai Jinmin Trading Co., Ltd.	Third party	802,933.20	Over 5 years	1.03%
Jiuquan Iron and Steel Group Co., Ltd.	Third party	622,807.31	Within 1 year	0.80%
		73,232,591.98		93.86%

7 Notes to the consolidated financial statements *(continued)*

(5) Other receivables

	31 December 2011	31 December 2010
Amount due from an associate *(Note (i))*	**7,047,810.01**	7,047,810.01
Factoring cost receivable *(Note (ii))*	**3,872,685.99**	–
Amount due from a joint-venture *(Note (iii))*	**2,799,725.90**	52,655,000.00
Revolving fund	**2,531,393.80**	1,117,658.10
Others	**1,921,657.58**	649,427.17
	18,173,273.28	61,469,895.28
Less: provision for bad debts	**(710,734.80)**	(710,734.80)
	17,462,538.48	60,759,160.48

(i) According to the contract signed by Xinjiang Yakesi and Tibet Puxiong mining Co., Ltd. (hereafter "Puxiong Mining") on 27 June 2006, Xinjiang Yakesi provided a loan of RMB7,000,000 to Puxiong Mining with the rate of 6.32%. The loan is guaranteed by the holding company of Puxiong Mining and repayable on demand.

(ii) According to an agreement entered into between the Company and Jiugang Group Tianfeng Stainless Steel Co., Ltd. (hereafter "Tianfeng Stainless Steel"), Tianfeng Stainless Steel agrees to subsidise the Company the costs incurred by the Company when the Company factors the bank acceptance notes issued or endorsed by Tianfeng Stainless Steel.

(iii) According to the contract signed by the Company and Hexin Mining on 29 June 2009, the Company provided a loan of RMB50,000,000 to Hexin Mining. The loan was unsecured and repayable on demand. The principal amount was repaid on 20 May 2011 and 8 June 2011 respectively. As at 31 December 2011, the balance represented interest receivable.

7 Notes to the consolidated financial statements *(continued)*

(5) Other receivables *(continued)*

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

	31 December 2011			31 December 2010		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	7,974,421.77	43.88%	–	4,082,973.92	6.64%	–
1 to 2 years	157,430.15	0.87%	–	50,135,927.12	81.57%	–
2 to 3 years	2,790,427.12	15.35%	–	47,810.01	0.07%	–
3 to 4 years	47,810.01	0.26%	–	5,179,430.05	8.43%	(356,275.21)
4 to 5 years	5,179,430.05	28.50%	(356,275.21)	2,023,754.18	3.29%	(354,459.59)
Over 5 years	2,023,754.18	11.14%	(354,459.59)	–	–	–
	18,173,273.28	100.00%	(710,734.80)	61,469,895.28	100.00%	(710,734.80)

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

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
That the related provision for bad debts is provided on the grouping basis	18,173,273.28	100.00%	(710,734.80)	3.91%	61,469,895.28	100.00%	(710,734.80)	1.16%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
	18,173,273.28	100.00%	(710,734.80)	3.91%	61,469,895.28	100.00%	(710,734.80)	1.16%

7 Notes to the consolidated financial statements *(continued)*

(5) Other receivables *(continued)*

(c) The groups of other receivables used ageing analysis method for the purpose of bad debt assessment are analysed as follow:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	**7,974,421.77**	**43.88%**	**–**	**–**	4,082,973.92	6.64%	–	–
1 to 2 years	**157,430.15**	**0.87%**	**–**	**–**	50,135,927.12	81.57%	–	–
2 to 3 years	**2,790,427.12**	**15.35%**	**–**	**–**	47,810.01	0.07%	–	–
3 to 4 years	**47,810.01**	**0.26%**	**–**	**–**	5,179,430.05	8.43%	(356,275.21)	6.88%
4 to 5 years	**5,179,430.05**	**28.50%**	**(356,275.21)**	**6.88%**	2,023,754.18	3.29%	(354,459.59)	17.51%
Over 5 years	**2,023,754.18**	**11.14%**	**(354,459.59)**	**17.51%**	–	–	–	–
	18,173,273.28	**100.00%**	**(710,734.80)**	**3.91%**	61,469,895.28	100.00%	(710,734.80)	1.16%

(d) As at 31 December 2011, there were no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (2010: Nil).

(e) As at 31 December 2011, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Puxiong Mining	Associate	7,047,810.01	Above 4 year	38.78%
Tianfeng Stainless Steel	Third party	3,872,685.99	Within 1 year	21.31%
Hexin Mining	Joint-venture	2,799,725.90	2 to 3 years	15.41%
Mine production enterprise reclamation deposit	Third party	100,000.00	Within 1 year	0.55%
Hami Zhenlan Manufacturing (Welfare) Co., Ltd.	Third party	45,000.00	1 to 2 years	0.24%
		13,865,221.90		76.29%

7 Notes to the consolidated financial statements *(continued)*

(5) Other receivables *(continued)*

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

	Relationship with the Group	31 December 2011 Amount	% of total balance	Provision for bad debts	31 December 2010 Amount	% of total balance	Provision for bad debts
Hexin Mining	Joint-venture	**2,799,725.90**	**15.41%**	**–**	52,655,000.00	85.66%	–
Puxiong Mining	Associate	**7,047,810.01**	**38.78%**	**(704,459.59)**	7,047,810.01	11.47%	(704,459.59)
		9,847,535.91	**54.19%**	**(704,459.59)**	59,702,810.01	97.13%	(704,459.59)

(6) Advances to suppliers

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

	31 December 2011 Amount	% of total balance	31 December 2010 Amount	% of total balance
Within 1 year	**55,773,024.84**	**83.10%**	23,184,188.17	79.40%
1 to 2 years	**5,581,560.63**	**8.32%**	5,777,908.50	19.79%
2 to 3 years	**5,529,158.50**	**8.24%**	68,640.28	0.24%
Over 3 years	**229,606.96**	**0.34%**	170,166.68	0.57%
	67,113,350.93	**100.00%**	29,200,903.63	100.00%

(b) As at 31 December 2011, the top five advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	% of total balance	Recognition date
Xi'an Yitepu International Trade Co., Ltd.	Third party	20,188,194.12	30.08%	2011
Wenquan Shunkaida Mining Co., Ltd.	Third party	10,000,000.00	14.90%	2011
Bureau of Water Sources of Hami	Third party	5,000,000.00	7.45%	2009
Xinjiang Huiyou Group Co., Ltd.	Third party	3,275,671.95	4.88%	2010
Xinjiang New Kinetic Energy Technology Development Co., Ltd.	Third party	1,912,190.30	2.85%	2011
		40,376,056.37	60.16%	

7 Notes to the consolidated financial statements *(continued)*

(6) Advances to suppliers *(continued)*

(c) As at 31 December 2011, there were no advances to shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2010: Nil).

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

	31 December 2011			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.	518,804.42	0.77%	–	68,229.55	0.23%	–
Xinjiang Metallurgical Design Institute of Non-ferrous Metals	380,000.00	0.57%	–	–	–	–
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	–	–	–	448,410.62	1.54%	–
Fukang Non-ferrous Development Co., Ltd.	–	–	–	19,455.50	0.07%	–
	898,804.42	1.34%	–	536,095.67	1.84%	–

(7) Inventories

(a) Classification of inventories is as follows:

	30 December 2011			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	207,621,737.52	(543,427.80)	207,078,309.72	112,274,192.99	(543,427.80)	111,730,765.19
Work in progress	89,169,675.17	–	89,169,675.17	48,361,386.30	–	48,361,386.30
Semi-finished goods	273,425,203.42	–	273,425,203.42	228,944,589.41	–	228,944,589.41
Finished goods	131,481,357.24	(13,054,146.61)	118,427,210.63	58,948,823.65	–	58,948,823.65
	701,697,973.35	(13,597,574.41)	688,100,398.94	448,528,992.35	(543,427.80)	447,985,564.55

7 Notes to the consolidated financial statements *(continued)*

(7) Inventories *(continued)*

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

	31 December 2010	Current year additions	**31 December 2011**
Raw materials	(543,427.80)	–	**(543,427.80)**
Finished goods	–	(13,054,146.61)	**(13,054,146.61)**
	(543,427.80)	(13,054,146.61)	**(13,597,574.41)**

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

	Basis for provision	**Reason for reversal**	**% of total balance**
Raw materials	The difference of net realizable value below the book value of the raw materials	Not applicable	–
Finished goods	The difference of net realizable value below the book value of the finished goods	Not applicable	–

(8) Other current assets

	31 December 2011	31 December 2010
Deductible VAT	**53,055,049.93**	36,203,887.27

Note: The balance as at 31 December 2010 were reclassified from other receivables to other current assets.

7 Notes to the consolidated financial statements *(continued)*

(9) Long-term equity investments

	31 December 2011	31 December 2010
Joint-venture *(a)*	**147,076,126.29**	141,765,385.53
Associate *(b)*	**4,352,647.53**	4,656,188.74
Less: Provision for impairment of long-term equity investments	**–**	–
	151,428,773.82	146,421,574.27

The long-term equity investments are unlisted and do not have significant limitation on transfer.

(a) Joint-venture

	Accounting treatment	Investment cost	31 December 2010	Share of profit or loss *(Note 7(39))*	31 December 2011	Equity interest held	Voting rights held
Hexin Mining	Equity method	145,326,500.00	141,765,385.53	5,310,740.76	**147,076,126.29**	50%	50%

Pursuant to an agreement entered into between the Company and Xinjiang Non-ferrous Group on 20 August 2008, the Company acquired 50% equity interests in Hexin Mining with a consideration of RMB95,096,500.00. Initial investment cost included the goodwill which represented the difference of consideration paid in excess of the share of fair value of identifiable net assets obtained.

On 4 September 2008, the Company paid additional capital of RMB50,000,000.00 into Hexin Mining.

Hexin Mining owns mining right of Tulargen copper/nickel mine in Hami Region. 2011 was the first fiscal year commenced mass production.

7 Notes to the consolidated financial statements *(continued)*

(9) Long-term equity investments *(continued)*

(b) Associate

	Accounting treatment	Investment cost	31 December 2010	Share of profit or loss *(Note 7(39))*	31 December 2011	Equity interest held	voting rights held
Puxiong Mining	Equity method	6,901,029.17	4,656,188.74	(303,541.21)	**4,352,647.53**	30%	30%

According to the agreement signed on 28 May 2008 by Xinjiang Yakesi and original shareholders of Puxiong Mining, Xinjiang Yakesi purchased 30% equity interests in Puxiong Mining at a consideration of RMB13,000,000.00. The Company acquired Xinjiang Yakesi in February 2009, and the fair value of the investment in Puxiong Mining upon the acquisition date was RMB6,901,029.17.

(c) Investments in joint-venture and associate

	Equity interest held	voting rights held	31 December 2011 Total assets	Total liabilities	Net assets	2011 Revenue	Net profit/(loss)
Joint-venture –							
Hexin Mining	50%	50%	526,971,125.11	322,155,645.22	204,815,479.89	127,353,886.14	10,621,481.52
Associate –							
Puxiong Mining	30%	30%	55,360,232.15	40,851,407.05	14,508,825.10	13,826,876.50	(1,011,804.02)

7 Notes to the consolidated financial statements *(continued)*

(10) Fixed assets

	Building	Mining structure	Machinery and equipment	Electronic and office equipment	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	218,007,163.48	10,213,752.16	605,441,959.24	51,291.26	–	833,714,166.14
Additions	1,522,393.79	41,250.00	17,028,178.43	3,226,421.88	7,809,421.41	29,627,665.51
Deductions	(2,268,180.00)	–	(3,869,924.04)	(1,720.00)	(1,006,057.00)	(7,145,881.04)
31 December 2011	**636,213,700.81**	**142,410,911.56**	**1,088,523,262.74**	**21,049,897.40**	**51,753,604.68**	**1,939,951,377.19**
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	21,845,053.79	4,610,124.62	53,836,900.29	2,657,369.91	4,429,974.60	87,379,423.21
Disposal	(1,584,126.06)	–	(2,004,408.54)	(333.78)	(639,294.95)	(4,228,163.33)
31 December 2011	**196,936,579.65**	**60,497,149.81**	**222,263,664.56**	**10,829,464.09**	**21,392,466.67**	**511,919,324.78**
Net book value						
31 December 2011	**439,277,121.16**	**81,913,761.75**	**866,259,598.18**	**10,220,433.31**	**30,361,138.01**	**1,428,032,052.41**
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 31 December 2010 and 31 December 2011, the Group has not pledged any fixed assets.

7 Notes to the consolidated financial statements *(continued)*

(10) Fixed assets *(continued)*

For year ended 31 December 2011, depreciation expense of fixed assets amounted to RMB87,379,423.21 (2010: RMB56,036,327.85) in total, of which 76,098,940.30 has been charged to cost of sales, RMB9,950,538.76 to general and administrative expense, RMB116,792.04 to selling expense and RMB1,213,152.11 to construction in progress (2010: RMB48,161,987.39, RMB7,477,134.59, RMB223,040.16 and RMB174,165.71).

The costs of fixed assets transferred-in from construction in progress amounted to RMB833,714,166.14 for year ended 31 December 2011 (2010: RMB156,987,216.64).

(a) Temporarily idle fixed assets

	Cost	Accumulated depreciation	Carrying amount
Machinery and equipment	24,187,395.36	(21,698,302.48)	2,489,092.88
Electronic and office equipment	170,873.92	(65,982.33)	104,891.59
	24,358,269.28	(21,764,284.81)	2,593,984.47

As at 31 December 2011, machinery and equipment and electronic and office equipment with carrying amount of RMB2,593,984.47 (cost of RMB24,358,269.28) were temporarily idle for the purpose of production facility improvement (31 December 2010: 26,893,503.98 (cost of RMB97,662,123,79)).

(11) Construction materials

	31 December 2010	Additions	Reductions	31 December 2011
Construction materials	13,022,260.22	21,219,013.50	(20,147,570.71)	**14,093,703.01**

7 Notes to the consolidated financial statements *(continued)*

(12) Construction in progress

	31 December 2011			31 December 2010		
	Ending balance	**Provision for impairment**	**Carrying amount**	Ending balance	Provision for impairment	Carrying amount
The Company:						
Kalatongke Mine						
Nickel smelting project	**11,132,249.72**	**–**	**11,132,249.72**	484,216,804.14	–	484,216,804.14
Nickel mining and ore processing project	**503,551,095.59**	**–**	**503,551,095.59**	432,545,842.41	–	432,545,842.41
Excavation project	**252,012,673.20**	**–**	**252,012,673.20**	185,334,689.02	–	185,334,689.02
Resource exploration project	**38,568,548.57**	**–**	**38,568,548.57**	35,571,606.09	–	35,571,606.09
Other constructions in progress for production	**54,321,080.14**	**–**	**54,321,080.14**	44,895,239.43	–	44,895,239.43
Fukang Refinery						
Utilisation of tailings project	**73,048,745.82**	**–**	**73,048,745.82**	204,988,863.91	–	204,988,863.91
Nickel refining project	**1,001,571.44**	**–**	**1,001,571.44**	–	–	–
Office building	**2,538,087.88**	**–**	**2,538,087.88**	–	–	–
Sub-total of the Company	**936,174,052.36**	**–**	**936,174,052.36**	1,387,553,045.00	–	1,387,553,045.00
Subsidiaries:						
Mengxi Mining						
Copper mine exploration in Sangdewulan Area	**15,532,600.00**	**–**	**15,532,600.00**	11,000,000.00	–	11,000,000.00
Xinjiang Yakesi						
Huangshanxi mining project	**506,073,226.48**	**–**	**506,073,226.48**	387,810,312.57	–	387,810,312.57
Huangshandong #17 mine construction project	**69,523,293.89**	**–**	**69,523,293.89**	32,983,691.81	–	32,983,691.81
Huangshan nickel/copper ore processing plant construction project	**87,268,395.85**	**–**	**87,268,395.85**	25,386,875.37	–	25,386,875.37
Xiangshan mine construction project	**17,258,647.09**	**–**	**17,258,647.09**	21,517,536.24	–	21,517,536.24
Hami Jubao Mining						
Huangshandong #12 mine project	**38,520,386.43**	**–**	**38,520,386.43**	18,511,846.63	–	18,511,846.63
Zhongxin Mining						
Auxiliary project for smelting operations	**11,881,915.80**	**–**	**11,881,915.80**	53,445,306.86	–	53,445,306.86
Wuxin Copper Mining						
Ten thousand copper smelting project	**932,732,309.80**	**–**	**932,732,309.80**	300,105,075.20	–	300,105,075.20
DPA project	**52,427,854.46**	**–**	**52,427,854.46**	–	–	–
Shaanxi Xinxin						
Other projects	**380,000.00**	**–**	**380,000.00**	–	–	–
Sub-total of subsidiaries	**1,731,598,629.80**	**–**	**1,731,598,629.80**	850,760,644.68	–	850,760,644.68
	2,667,772,682.16	**–**	**2,667,772,682.16**	2,238,313,689.68	–	2,238,313,689.68

7 Notes to the consolidated financial statements *(continued)*

(12) Construction in progress *(continued)*

Project name:	Budget	31 December 2010	Current year addition	Transfer to fixed assets	31 December 2011	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including: borrowing costs capitalised in current year	Capitalisation rate	Source of funds
Kalatongke Mine										
Nickel smelting project	616,216,804.14	484,216,804.14	96,711,115.42	(569,795,669.84)	**11,132,249.72**	97.89%	–	–	–	Self-funding
Nickel mining and ore processing project	634,000,000.00	432,545,842.41	71,005,253.18	–	**503,551,095.59**	79.42%	922,461.47	922,461.47	6.18%	Self-funding/loans
Excavation project	262,334,689.02	185,334,689.02	66,677,984.18	–	**252,012,673.20**	96.07%	–	–	–	Self-funding
Resource exploration project	43,610,806.09	35,571,606.09	2,996,942.48	–	**38,568,548.57**	88.44%	–	–	–	Self-funding/ government grants
Other constructions in progress for production	75,046,239.43	44,895,239.43	9,425,840.71	–	**54,321,080.14**	72.39%	–	–	–	Self-funding
Fukang Refinery										
Utilisation of tailings project	287,631,650.00	204,988,863.91	68,565,843.14	(200,505,961.23)	**73,048,745.82**	97.36%	–	–	–	Self-funding
Nickel refining project	962,287,000.00	–	1,001,571.44	–	**1,001,571.44**	0.10%	–	–	–	Self-funding
Office building	20,000,000.00	–	2,538,087.88	–	**2,538,087.88**	12.69%	–	–	–	Self-funding
Mengxi Mining										
Copper mine exploration in Sangdewulan Area	28,280,000.00	11,000,000.00	4,532,600.00	–	**15,532,600.00**	54.92%	–	–	–	Self-funding
Xinjiang Yakesi										
Huangshanxi mining project	543,092,700.00	387,810,312.57	118,262,913.91	–	**506,073,226.48**	93.18%	19,597,260.02	19,370,280.02	6.75%	Self-funding/loans/ government grants
Huangshandong #17 mine construction project	102,000,000.00	32,983,691.81	36,673,966.12	(134,364.04)	**69,523,293.89**	68.29%	–	–	–	Self-funding
Huangshan nickel/copper ore processing plant construction project	394,167,000.00	25,386,875.37	61,881,520.48	–	**87,268,395.85**	22.25%	–	–	–	Self-funding
Xiangshan mine construction project	31,217,536.24	21,517,536.24	7,706,769.50	(11,965,658.65)	**17,258,647.09**	94.06%	–	–	–	Self-funding
Hami Jubao Mining							–	–		
Huangshandong #12 mine project	48,000,000.00	18,511,846.63	20,008,539.80	–	**38,520,386.43**	80.25%	–	–	–	Self-funding
Zhongxin Mining										
Auxiliary project for smelting operations	90,000,000.00	53,445,306.86	9,749,121.32	(51,312,512.38)	**11,881,915.80**	92.94%	–	–	–	Self-funding/ government grants
Wuxin Copper Mining										
Ten thousand copper smelting project	1,527,619,700.00	300,105,075.20	632,627,234.60	–	**932,732,309.80**	61.06%	–	–	–	Self-funding/ government grants
DPA project	709,815,400.00	–	52,427,854.46	–	**52,427,854.46**	7.39%	–	–	–	Self-funding
Shaanxi Xinxin										
Other projects	184,690,000.00	–	380,000.00	–	**380,000.00**	0.21%	–	–	–	Self-funding
	6,560,009,524.92	2,238,313,689.68	1,263,173,158.62	(833,714,166.14)	**2,667,772,682.16**		20,519,721.49	20,292,741.49		

As at 31 December 2011,there is no indication of impairment on construction in progress. The Group estimates the progress of construction projects based on the proportion of expenditures incurred to budgeted amount.

7 Notes to the consolidated financial statements *(continued)*

(13) Intangible assets

	31 December 2010	Acquisition of subsidiaries	Additions	**31 December 2011**
Cost	820,077,020.49	208,153,000.00	12,778,410.62	**1,041,008,431.11**
Mining rights	686,937,506.77	–	12,716,651.47	**699,654,158.24**
Exploration rights	–	208,153,000.00	–	**208,153,000.00**
Land use rights	132,052,779.99	–	–	**132,052,779.99**
Others	1,086,733.73	–	61,759.15	**1,148,492.88**
Accumulated amortisation	54,023,900.28	–	17,229,587.20	**71,253,487.48**
Mining rights	42,862,636.69	–	14,115,726.19	**56,978,362.88**
Land use rights	10,626,327.32	–	2,906,079.99	**13,532,407.31**
Others	534,936.27	–	207,781.02	**742,717.29**
Net book value	766,053,120.21	208,153,000.00	(4,451,176.58)	**969,754,943.63**
Mining rights	644,074,870.08	–	(1,399,074.72)	**642,675,795.36**
Exploration rights	–	208,153,000.00	–	**208,153,000.00**
Land use rights	121,426,452.67	–	(2,906,079.99)	**118,520,372.68**
Others	551,797.46	–	(146,021.87)	**405,775.59**

For the year ended 31 December 2011, the amortisation expense of intangible assets was RMB17,229,587.20 (2010: RMB17,704,835.40).

The new exploration rights were acquired through the acquisition of Shaanxi Xinxin by the Group in 2011 (Note 6(3)). Shaanxi Xinxin has applied to covert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 31 December 2011, the application was yet to be approved.

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

None of intangible assets was pledged for borrowings.

As at 31 December 2011 and 2010, the Group's land use rights were located in mainland China with land use right periods ranging from 10-50 years.

7 Notes to the consolidated financial statements *(continued)*

(14) Goodwill

	31 December 2011	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
The acquisition of Shaanxi Xinxin	**254,745.09**	–
	28,087,550.20	27,832,805.11

The increase in goodwill was created as a result of acquisition of 51% equity interests in Shaanxi Xinxin (note 6 (3)).

As at 31 December 2011 and 2010, the Group did not make impairment provision on goodwill (note 4 (27 (b))).

(15) Other non-current assets

	31 December 2011	31 December 2010
Prepayment for purchase of land (i)	**113,831,732.40**	–
Prepaid utilities(ii)	**46,066,594.10**	49,032,567.99
Prepayment for purchase of mining right	**–**	6,500,000.00
Total	**159,898,326.50**	55,532,567.99

(i) Included in the balance was RMB68,551,732.40 paid for purchase of a land use right for office building construction by Beijing Xinding; RMB40,000,000.00 prepaid for purchase of a land use right for office building construction by Xinjiang Yakesi, and RMB5,280,000.00 prepaid for purchase of a land use right for office building construction by Fukang Refinery. The land use right certificate of the land acquired by Beijing Xinding has been obtained in January 2012.

(ii) The balance represented the prepayment for utilities of Xinjiang Yakesi, which will be offset the utilities to be incurred after 1 January 2012.

7 Notes to the consolidated financial statements *(continued)*

(16) Provision for asset impairment

	31 December 2010	Current year additions *(Note 7(38))*	**31 December 2011**
Provision for bad debts	3,431,125.19	289,797.54	**3,720,922.73**
Including: Provision for bad debts of accounts receivables	2,720,390.39	289,797.54	**3,010,187.93**
Provision for bad debts of other receivables	710,734.80	–	**710,734.80**
Provision for decline in value of inventories	543,427.80	13,054,146.61	**13,597,574.41**
	3,974,552.99	13,343,944.15	**17,318,497.14**

(17) Notes payable

	31 December 2011	31 December 2010
Bank acceptance notes	**54,533,511.46**	36,343,647.00

As at 31 December 2011 and 2010, all notes payable would mature in one year.

(18) Accounts payable

	31 December 2011	31 December 2010
Payable for materials	**72,370,227.82**	57,501,246.66
Services fee payable	**19,602,894.52**	16,417,103.79
Transportation fee payable	**2,091,167.90**	1,736,625.32
Others	**290,695.13**	1,085,975.64
	94,354,985.37	76,740,951.41

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

7 Notes to the consolidated financial statements *(continued)*

(18) Accounts payable *(continued)*

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

	31 December 2011	31 December 2010
Hexin Mining	**8,126,780.37**	402,214.46
Xinjiang Non-ferrous Metal Industry(Group) Fuyun Xingtong Service Co., Ltd.	**1,795,631.92**	910,395.81
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**732,650.84**	724,294.40
Xinjiang Non-ferrous Metal Industry(Group) Fukang Retirement Center	**406,336.78**	276,073.65
Xinjiang Non-ferrous Metallurgy Manufacture Factory	**110,003.00**	110,003.00
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	**–**	40,000.00
	11,171,402.91	2,462,981.32

(c) As at 31 December 2011, accounts payable over one year with carrying amount of RMB3,530,486.34 (31 December 2010: RMB7,664,513.71) were mainly payables for purchase of materials.

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

	31 December 2011	31 December 2010
Within 3 months	**87,236,805.85**	55,260,779.78
3 to 6 months	**2,260,387.90**	13,604,472.27
Over 6 months	**4,857,791.62**	7,875,699.36
	94,354,985.37	76,740,951.41

7 Notes to the consolidated financial statements *(continued)*

(19) Advances from customers

	31 December 2011	31 December 2010
Advances for sales of goods	**12,337,202.49**	3,987,003.38

(a) As at 31 December 2011, there were no advances from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2010: Nil). Up to the approval date of these financial statements RMB7,936,900.60 were recognised as revenue.

(b) As at 31 December 2011, advances from customers over one year with carrying amount of approximately RMB935,234.37 (31 December 2010: RMB644,194.61).

(c) Advances from related parties

	31 December 2011	31 December 2010
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	**603,985.38**	–
China Non-ferrous Metals Import and Export Company of Xinjiang	**455,701.09**	–
	1,059,686.47	–

7 Notes to the consolidated financial statements *(continued)*

(20) Employee benefits payable

	31 December 2010	Current year additions	Current year reductions	**31 December 2011**
Salaries, bonuses, allowances and subsidies	38,353,121.15	195,179,741.14	(195,361,247.37)	**38,171,614.92**
Staff welfare	–	8,053,174.30	(7,849,376.30)	**203,798.00**
Social insurances	4,439,123.14	42,212,779.58	(42,409,436.78)	**4,242,465.94**
Including: Medical insurance	1,303,982.35	9,093,982.00	(9,136,458.29)	**1,261,506.06**
Pension insurance	1,753,410.20	26,712,680.38	(26,772,303.51)	**1,693,787.07**
Unemployment insurance	1,145,981.31	2,698,779.54	(2,824,049.05)	**1,020,711.80**
Work injury insurance	180,530.03	2,570,095.10	(2,546,237.93)	**204,387.20**
Maternity insurance	55,219.25	1,103,282.56	(1,096,428.00)	**62,073.81**
Illness insurance	–	33,960.00	(33,960.00)	**–**
Housing funds	1,423,317.11	12,215,785.52	(11,967,625.21)	**1,671,477.42**
Labor union fund and employee education fund	5,068,516.45	5,869,705.03	(4,769,276.64)	**6,168,944.84**
Others	2,118,656.06	878,002.03	(846,135.55)	**2,150,522.54**
	51,402,733.91	264,409,187.60	(263,203,097.85)	**52,608,823.66**

As at 31 December 2011, no defaulted payables were included in the employee benefits payable and the balance was estimated to be used up in 2011.

(21) Taxes payable

	31 December 2011	31 December 2010
Income tax payables/(prepaid)	**16,904,109.32**	(1,237,231.85)
Value added tax payable/(recoverable)	**7,013,102.56**	3,985,305.91
Resource compensation fee	**5,011,681.92**	6,627,779.52
Stamp duty	**1,034,103.77**	1,036,483.28
Individual income tax	**888,683.80**	778,010.42
Resource tax	**557,044.48**	888,089.30
City maintenance and construction tax payable	**482,825.86**	287,113.27
Educational surcharge payable	**349,321.11**	180,348.47
Others	**3,867.88**	1,159,680.73
	32,244,740.70	13,705,579.05

7 Notes to the consolidated financial statements *(continued)*

(22) Other payables

	31 December 2011	31 December 2010
Payables for construction in progress	**200,572,117.09**	75,990,519.20
Payables for equipments	**54,139,285.73**	54,144,252.42
Quality guarantee	**20,686,531.04**	23,077,836.84
Agency fee	**3,012,004.62**	2,883,730.68
Others	**8,704,606.43**	8,361,308.73
	287,114,544.91	164,457,647.87

Note: Certain balances as at 31 December 2010 were reclassified from accounts payable to other payables, which related to payable for construction in progress.

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

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

	31 December 2011	31 December 2010
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**74,148,263.48**	31,500,709.98
China Non-ferrous Metal Import and Export Company of Xinjiang	**3,226,000.00**	7,234,000.00
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	**380,000.00**	–
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**282,678.40**	623,075.30
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**50,000.00**	50,000.00
Fukang Non-ferrous Development Co., Ltd.	**50,000.00**	–
	78,136,941.88	39,407,785.28

(c) As at 31 December 2011, other payables over one year with carrying amount of RMB41,868,548.05 (31 December 2010: RMB12,051,730.45) were mainly payables for construction in progress and quality guarantee.

7 Notes to the consolidated financial statements *(continued)*

(23) Provisions

	31 December 2010	Current year reductions	**31 December 2011**
Provision for close down, restoration and environmental costs	6,839,546.51	(721,868.21)	**6,117,678.30**

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.

(24) Borrowings

(a) Long-term borrowings

	31 December 2011	31 December 2010
Unsecured loans	**569,000,000.00**	30,000,000.00

As at 31 December 2011, the long-term borrowings were due for repayment since December 2013. The interest was payable on a quarterly basis. The weighted average interest rate of long-term borrowings was 6.75% annually (31 December 2010: 5.38%). Please refer to note 12(1(c)) for repayment schedule.

7 Notes to the consolidated financial statements *(continued)*

(24) Borrowings *(continued)*

(b) The five largest long-term borrowings

	Starting date	Ending date	Currency	Interest rate (%)	31 December 2011 Amount in RMB	31 December 2010 Amount in RMB
Bank of Communication Xinjiang Uygur Autonomous Region Branch	08/07/2011	19/12/2016	RMB	Floating rate	**115,000,000.00**	–
Bank of Communication Xinjiang Uygur Autonomous Region Branch	08/07/2011	19/12/2016	RMB	Floating rate	**50,000,000.00**	–
Bank of Communication Xinjiang Uygur Autonomous Region Branch	08/07/2011	19/12/2016	RMB	Floating rate	**45,000,000.00**	–
Bank of Communication Xinjiang Uygur Autonomous Region Branch	08/07/2011	19/12/2016	RMB	Floating rate	**30,000,000.00**	–
Bank of Communication Xinjiang Uygur Autonomous Region Branch	14/11/2011	18/10/2017	RMB	Floating rate	**30,000,000.00**	–
Bank of Communication Xinjiang Uygur Autonomous Region Branch	18/10/2010	19/12/2013	RMB	Floating rate	**–**	20,000,000.00
Bank of Communication Xinjiang Uygur Autonomous Region Branch	01/12/2010	19/12/2013	RMB	Floating rate	**–**	10,000,000.00

7 Notes to the consolidated financial statements *(continued)*

(24) Borrowings *(continued)*

(c) The maturity dates of long-term borrowings are analysed as follows:

	31 December 2011	31 December 2010
1 to 2 years	**30,000,000.00**	–
2 to 5 years	**430,000,000.00**	30,000,000.00
over 5 years	**109,000,000.00**	–
	569,000,000.00	30,000,000.00

(d) Short-term borrowings

	31 December 2011	31 December 2010
Unsecured loans	**250,000,000.00**	–

As at 31 December 2011, the weighted average interest rate of short-term borrowings is 6.18% annually (31 December 2010: Nil).

(25) Other non-current liabilities

	31 December 2011	31 December 2010
Deferred income(a)	**39,763,291.04**	39,495,650.88
Others	**–**	100,000.00
	39,763,291.04	39,595,650.88

7 Notes to the consolidated financial statements *(continued)*

(25) Other non-current liabilities *(continued)*

(a) Deferred income

	31 December 2011	31 December 2010
– Enterprise development fund *(Note 1)*	**12,603,000.00**	12,603,000.00
– Land use right *(Note 2)*	**9,544,891.48**	9,754,669.36
– Project on exploration of No.2 mine in Kalatongke Mine *(Note 3)*	**7,880,000.00**	7,880,000.00
– Project on energy saving *(Note 4)*	**3,600,000.00**	3,600,000.00
– Project on use of well water *(Note 4)*	**2,700,000.00**	2,700,000.00
– General improvement project *(Note 4)*	**1,600,000.00**	1,600,000.00
– Project on technology improvement *(Note 5)*	**1,300,000.00**	800,000.00
– Online monitoring of pollution sources *(Note 6)*	**400,000.00**	400,000.00
– Project on recovery of No. 1 mine residual ore *(Note 7)*	**135,399.56**	157,981.52
	39,763,291.04	39,495,650.88

Note 1: According to relevant document [2010] 97 issued by the Fukang government, Wuxin Copper Mining was entitled enterprise development fund allocation of RMB12,603,000.00 by Finance Bureau of Fukang. It is mainly used for purchase of equipment. The project is currently in progress.

Note 2: According to relevant document Guo Tu Zi Fa [2006] 403 issued by Land and Resources Bureau of Hami, it allocated land use right to Zhongxin Mining for free. Zhongxin Mining recognized the land use rights at fair value and credited to deferred revenue. Deferred revenue amortised in line with useful life of the land use rights and allocated to operating income. The fair value of the land use rights determined by market value.

Note 3: The project funds were allocated by Land and Resources Bureau of Xinjiang Uygur Autonomous Region with RMB7,180,000.00 and by Development Committee of Xinjiang Uygur Autonomous Region with RMB700,000.00 respectively, for a total of RMB7,880,000.00. The project is in progress currently.

Note 4: The project funds were allocated by Finance Department of Xinjiang Uygur Autonomous Region. The projects are in progress currently.

Note 5: According to documents Xin Cai Qi [2010] 118 and Xin Cai Jian [2011] 434, issued by Finance Department of Xinjiang Uygur Autonomous Region, a fund of RMB1,300,000 was allocated to Xinjiang Yakesi for technological improvement. The project is in progress currently.

Note 6: The fund was allocated by Environmental Protection Agency of Xinjiang Uygur Autonomous Region for online monitoring of pollution sources. The project is in progress currently.

Note 7: The fund was allocated by Land and Resources Bureau of Xinjiang Uygur Autonomous Region for recovery of residual ore. The project is in progress currently.

7 Notes to the consolidated financial statements *(continued)*

(26) Deferred tax assets and deferred tax liabilities

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

	31 December 2011		31 December 2010	
	Deferred tax assets	**Deductible temporary differences**	Deferred tax assets	Deductible temporary differences
Deductible tax losses	**7,614,009.38**	**30,456,037.50**	11,195,855.97	44,783,423.86
Government grants	**4,403,849.89**	**17,615,399.56**	4,084,495.39	16,337,981.56
Impairment provision	**4,259,178.33**	**17,318,497.16**	663,382.84	2,935,315.20
Unrealized profit	**2,445,678.31**	**9,782,713.22**	13,073,321.41	52,293,285.64
Others	**320,555.29**	**1,282,221.16**	545,915.43	2,183,661.72
	19,043,271.19	**76,454,868.60**	29,562,971.04	118,533,667.98

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

	31 December 2011		31 December 2010	
	Deferred tax liabilities	**Taxable temporary differences**	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control	**150,863,045.84**	**603,452,183.36**	102,957,311.05	411,829,244.20

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

	31 December 2011	31 December 2010
Deductible temporary differences	**4,181,058.94**	1,123,093.18

7 Notes to the consolidated financial statements *(continued)*

(27) Share capital

Domestic shares	31 December 2011 Number of shares	31 December 2011 % of issued capital	31 December 2010 Number of shares	31 December 2010 % of issued capital
Sponsors:				
Xinjiang Non-ferrous Group	**885,204,000**	**40.06%**	885,204,000	40.06%
Shanghai Yilian Kuangneng Co., Ltd.	**282,896,000**	**12.80%**	282,896,000	12.80%
Zhongjin Investment (Group) Ltd.	**198,028,000**	**8.96%**	198,028,000	8.96%
Zijin Mining Group (Xiamen) Investment Co., Ltd.	**56,580,000**	**2.56%**	56,580,000	2.56%
Xinjiang Xinying New Material Co., Ltd.	**22,020,000**	**1.00%**	22,020,000	1.00%
Shaanxi Honghao Industry Co., Ltd.	**6,272,000**	**0.28%**	6,272,000	0.28%
Subtotal	**1,451,000,000**	**65.66%**	1,451,000,000	65.66%
H share holders	**759,000,000**	**34.34%**	759,000,000	34.34%
	2,210,000,000	**100.00%**	2,210,000,000	100%

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

(28) Capital surplus

	Contribution from Parent Company *(Note 1)*	Share premium *(Note 2)*	Total
As at 1 January 2011 and 31 December 2011	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 Group and the discounted net present value of long-term payable for the mining rights acquired, which is formed prior to listed on the Hong Kong Stock Exchange.

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

7 Notes to the consolidated financial statements *(continued)*

(29) Specific reserve

	31 December 2010	Current year additions	Current year reductions	**31 December 2011**
Safety fund *(Note)*	–	8,699,470.70	(8,699,470.70)	**–**

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Safety fund *(Note)*	–	6,972,403.11	(6,972,403.11)	–

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 by Kalatongke Mine, Xinjiang Yakesi and Hami Jubao; and at 4% of sales of vitriol by FuKang Refinery. The accrual of safety fund is charged to production cost and credited to specific reserve. The safety expenditures that are expenses in nature are directly debited to specific reserve. All specific reserve expenditures were expenses in nature for the year ended 31 December 2011 (2010: All).

(30) Surplus reserve

	31 December 2010	Current year additions	Current year reductions	**31 December 2011**
Statutory reserve	194,806,549.58	22,386,250.74	–	**217,192,800.32**

Pursuant to the PRC Company Law and the Company's Articles of Association, every year the Company are required to appropriate 10% of the profit after taxation to the statutory reserve until the balance reaches 50% of the share capital. Subject to the approval, such reserve can be used to offset against net losses or to increase share capital. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB22,386,250.74 for the year ended 31 December 2011, (2010: 10% of the net profit for year, amounting to RMB28,512,878.32) to the statutory reserve.

7 Notes to the consolidated financial statements *(continued)*

(31) Undistributed profits

	2011		2010	
	Amount	Ratio for appropriation or distribution	Amount	Ratio for appropriation or distribution
Undistributed profits at the beginning of the year	**476,994,280.77**	**–**	265,795,703.70	–
Add: Net profit attributable to the equity holders of Company for the year	**191,265,520.47**	**–**	350,211,455.39	–
Less: Appropriation for statutory reserve	**(22,386,250.74)**	**10%**	(28,512,878.32)	10%
Ordinary share dividend	**(331,500,000.00)**	**–**	(110,500,000.00)	–
Undistributed profits at the end of the year	**314,373,550.50**	**–**	476,994,280.77	–

As at 31 December 2011, included in the undistributed profits, RMB34,369,603.55 was subsidiaries' surplus reserve attributable to the Company (31 December 2010: RMB28,544,610.47), of which RMB5,824,993.08 was appropriated for the year ended 31 December 2011 (2010: RMB9,610,409.84).

	2011	2010
Dividends proposed but not paid as at year end	**66,300,000.00**	331,500,000.00
Total proposed dividends in the year	**331,500,000.00**	110,500,000.00

In accordance with a resolution of shareholders' meeting, passed on 16 May 2011, the Company declared a cash dividend in the amount of RMB0.15 per share, totalling RMB331,500,000.00 calculated based on 2,210,000,000 issued shares.

In accordance with a resolution of the Board of Directors meeting passed on 16 March 2012, the Board of Directors proposed a cash dividend in the amount of RMB0.03 per share to the shareholders, amounting to RMB66,300,000.00 calculated by issued shares 2,210,000,000, which is subject to the approval of the shareholders' meeting (Note 12).

7 Notes to the consolidated financial statements *(continued)*

(32) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	31 December 2011	31 December 2010
Wuxin Copper Mining	**267,341,206.45**	203,618,148.32
Shaanxi Xinxin	**76,514,306.37**	–
Mengxi Mining	**9,836,308.34**	9,823,053.65
Zhongxin Mining	**2,735,866.20**	2,619,224.86
	356,427,687.36	216,060,426.83

(33) Revenue and cost of sales

	2011	2010
Revenue from main operation	**1,408,819,232.09**	1,125,162,834.66
Revenue from other operation	**45,823,449.76**	42,901,654.87
	1,454,642,681.85	1,168,064,489.53

	2011	2010
Cost of sales from main operation	**1,035,949,191.76**	685,375,346.05
Cost of sales from other operation	**23,948,538.02**	30,364,056.80
	1,059,897,729.78	715,739,402.85

7 Notes to the consolidated financial statements *(continued)*

(33) Revenue and cost of sales *(continued)*

(a) Revenue and cost of sales from main operation

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

	2011		2010	
	Revenue from main operation	**Cost of sales from main operation**	Revenue from main operation	Cost of main operation
Nickel cathode	**1,060,176,063.79**	**768,180,637.85**	863,832,713.89	529,174,609.98
Copper cathode	**279,116,913.43**	**232,161,439.22**	197,098,593.04	132,942,738.94
Copper concentrate	**36,773,462.24**	**10,783,082.50**	25,491,584.44	6,212,415.68
Others	**32,752,792.63**	**24,824,032.19**	38,739,943.29	17,045,581.45
	1,408,819,232.09	**1,035,949,191.76**	1,125,162,834.66	685,375,346.05

(b) Revenue and cost of sales from other operation

	2011		2010	
	Revenue from other operation	**Cost of sales from other operation**	Revenue from other operation	Cost of other operation
Scrap sales	**19,460,856.19**	**2,171,886.39**	11,120,331.98	955,468.09
Sales of electricity	**14,069,319.98**	**14,005,119.18**	13,960,848.57	14,651,494.28
Sales of materials	**6,970,168.06**	**5,633,540.35**	6,397,973.92	5,365,628.72
Supply of heating	**1,382,003.01**	**783,120.32**	2,310,423.24	2,311,072.00
Materials Processing	**–**	**–**	5,875,505.81	4,556,933.13
Others	**3,941,102.52**	**1,354,871.78**	3,236,571.35	2,523,460.58
	45,823,449.76	**23,948,538.02**	42,901,654.87	30,364,056.80

7 Notes to the consolidated financial statements *(continued)*

(33) Revenue and cost of sales *(continued)*

(b) Revenue and cost of sales from other operation *(continued)*

Revenue from top five customers of the Group

Revenue from top five customers of the revenue of the Group amounted to RMB934,256,361.49, which accounted for 64.23% (2010: RMB817,771,128.66, accounted for 70.01%) of the total revenue of the Group. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Group
Tianfeng Stainless Steel	339,745,831.79	23.36%
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	277,578,027.44	19.08%
Shenyang Chengtong Metal Co., Ltd.	144,345,171.32	9.92%
Jiangsu Yuanhang Precision Alloy Technology Co., Ltd.	98,316,009.62	6.76%
Ningbo Kelun metal Co., Ltd.	74,271,321.32	5.11%
	934,256,361.49	64.23%

(34) Tax and surcharges

	2011	2010
City maintenance and construction tax	**3,699,297.69**	270,165.18
Education surcharge	**3,093,834.86**	346,988.42
Others	**9,972.70**	
	6,803,105.25	617,153.60

7 Notes to the consolidated financial statements *(continued)*

(35) Selling expenses

	2011	2010
Transportation fee	**8,752,398.28**	4,143,318.80
Employee benefits	**1,149,080.69**	697,632.03
Administration and travel expense	**152,835.28**	204,480.03
Depreciation	**116,792.04**	223,040.16
Others	**1,664,131.58**	978,075.76
	11,835,237.87	6,246,546.78

(36) General and administrative expenses

	2011	2010
Employee benefits	**59,793,227.11**	50,523,186.98
Administration expense	**19,331,255.16**	14,732,727.53
Mineral resources compensation fees	**18,862,816.00**	15,671,908.97
Depreciation and amortization	**12,844,811.35**	11,537,094.88
Sewage charges	**6,512,599.00**	9,695,940.40
Taxation	**5,753,864.93**	5,377,867.16
Intermediary agency fee	**3,742,623.88**	1,948,637.81
Service charge	**3,200,900.00**	3,200,720.00
Auditor’s remuneration	**1,980,000.00**	2,310,000.00
Operating leases expenses	**1,768,736.53**	1,855,800.71
Others	**1,942,995.50**	2,690,393.88
	135,733,829.46	119,544,278.32

7 Notes to the consolidated financial statements *(continued)*

(37) Financial income – net

	2011	2010
Interest income on bank deposits	**17,106,568.88**	34,467,087.66
Foreign exchange gains	**1,893,811.80**	96,625.38
Discount interest income	**702,173.82**	–
Loan interest income from an associate	**442,400.00**	378,297.50
Interest expense on bank borrowings	**(5,423,414.08)**	(391,241.26)
Bank charges	**(195,256.69)**	(142,334.29)
Loan interest income from a joint venture	**–**	3,132,016.67
	14,526,283.73	37,540,451.66

For each of the years end 31 December 2010 and 2011, all the Group's interest expense was related to the borrowings repayable within five years.

(38) Asset impairment losses (Note 7(16))

	2011	2010
Provision for decline in value of inventories	**13,054,146.61**	–
Provision for bad debts	**289,797.54**	148,014.17
	13,343,944.15	148,014.17

(39) Investment income/(loss) (Note 7(9)(a)(b))

	2011	2010
Income/(loss) from a joint-venture under equity method	**5,310,740.76**	(1,911,370.76)
Loss from an associate under equity method	**(303,541.21)**	(1,164,582.43)
	5,007,199.55	(3,075,953.19)

7 Notes to the consolidated financial statements *(continued)*

(39) Investment income/(loss) *(continued)*

(a) Income/(loss) from long-term equity investments under equity method

	2011	2010	Reason for current year fluctuation
Hexin Mining	**5,310,740.76**	(1,911,370.76)	Change of operating situation of invested company
Puxiong Mining	**(303,541.21)**	(1,164,582.43)	Change of operating situation of invested company
	5,007,199.55	(3,075,953.19)	

(40) Non-operating income

	2011	2010
Government grants *(Note (a))*	**7,308,576.96**	8,401,663.50
Gains on disposal of fixed assets	**220,331.07**	370,047.78
Others	**1,594,089.03**	2,674,377.41
	9,122,997.06	11,446,088.69

(a) Details of government grants

	2011	2010
Incentive for termination of obsolete production facilities	**4,410,000.00**	–
Funds for technological transformation	**1,780,000.00**	1,000,000.00
Funds for new type industrial development	**350,000.00**	2,350,000.00
Energy saving subsidies	**105,000.00**	450,000.00
Social security benefits for enterprise in difficulties	**13,717.00**	3,107,181.97
Platinum tax refund	**–**	1,181,703.65
Others	**649,859.96**	312,777.88
	7,308,576.96	8,401,663.50

7 Notes to the consolidated financial statements *(continued)*

(41) Non-operating expenses

	2011	2010
Donations *(Note)*	**2,020,360.00**	16,435,248.00
Losses on disposal of fixed assets	**1,864,739.71**	2,160,767.56
Penalties and fines	**558,977.72**	100,000.00
Sponsorship	**–**	279,000.00
Others	**275,536.46**	688,404.57
	4,719,613.89	19,663,420.13

Note: Donation mainly used to support the local development and social welfare contributions.

(42) Income tax expenses

	2011	2010
Current income tax	**50,913,726.16**	10,926,926.04
Deferred income tax	**9,637,184.64**	(9,079,097.99)
	60,550,910.80	1,847,828.05

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

	2011	2010
Total profit	**250,965,701.79**	352,016,260.84
Income tax expenses calculated at applicable tax rate of 25%	**62,741,425.45**	88,004,065.21
Effect of tax exemptions/reductions	**(6,057,526.83)**	(87,214,258.63)
Income not subject to tax	**(1,251,799.89)**	–
Expenses not deductible for tax purposes	**4,393,753.19**	1,058,021.47
Current year temporary differences not recognised for deferred tax assets	**725,058.88**	–
	60,550,910.80	1,847,828.05

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 year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue of the Company:

	2011	2010
Consolidated net profit attributable to equity holders of the Company	**191,265,520.47**	350,211,455.39
Weighted average number of ordinary shares in issue of the Company	**2,210,000,000.00**	2,210,000,000.00
Basic/diluted earnings per share	**0.087**	0.158

Diluted earnings per share is calculated by dividing net profit attributable to equity holders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue of the Company. As there were no dilutive potential ordinary shares in 2011 (2010: nil), diluted earnings per share equal to basic earnings per share.

(44) Notes to consolidated cash flow statements

(a) Cash received relating to other operating activities

	2011	2010
Interest income	**20,334,065.35**	46,237,865.59
Government grants received	**7,308,576.96**	21,569,303.65
Others	**6,366,430.02**	9,736,178.35
	34,009,072.33	77,543,347.59

7 Notes to the consolidated financial statements *(continued)*

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

(b) Cash paid relating to other operating activities

	2011	2010
Administrative expenses	**20,137,674.30**	18,575,312.96
Public welfare donations	**2,020,360.00**	16,435,248.00
Sewage charge	**6,512,599.00**	9,195,940.40
Agency fee	**7,048,645.27**	5,720,723.62
Transportation expenses	**9,975,544.53**	4,143,318.80
Comprehensive supporting service fee	**3,200,900.00**	3,200,720.00
Restricted cash in bank	**–**	44,171,588.66
Others	**3,229,192.45**	6,166,637.95
	52,124,915.55	107,609,490.39

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

	2011	2010
Net profit	**190,414,790.99**	350,168,432.79
Adjustment:		
Provisions for asset impairment	**13,343,944.15**	148,014.17
Depreciation of fixed assets	**86,166,271.10**	55,862,162.07
Amortisation of intangible assets	**17,229,587.20**	17,704,835.40
Losses on disposal of fixed assets	**1,644,408.64**	1,790,719.78
Decrease/(increase) in deferred tax assets	**10,519,699.84**	(8,354,050.95)
Decrease in deferred tax liabilities	**(882,515.21)**	(725,047.04)
Financial expenses	**4,981,014.08**	294,615.88
Amortisation of long-term prepaid expenses	**279,852.68**	340,686.05
Investment (gain)/loss	**(5,007,199.55)**	3,075,953.19
Increase in inventories	**(244,745,112.31)**	(186,805,127.13)
Increase in operating receivables	**(253,431,990.65)**	(161,715,928.19)
Increase in operating payables	**22,807,603.66**	57,831,277.28
Decrease/(increase) in restricted cash at banks	**1,175,000.55**	(44,171,588.66)
Others	**(954,228.03)**	320,853.65
Net cash flows from operating activities	**(156,458,872.86)**	85,765,808.29

7 Notes to the consolidated financial statements *(continued)*

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

(d) Movement of cash and cash equivalents

	2011	2010
Cash and cash equivalents at the end of the year	**568,501,002.36**	1,501,686,084.60
Less: cash and cash equivalents at the beginning of the year	**(1,501,686,084.60)**	(2,301,417,947.94)
Net increase in cash and cash equivalents	**(933,185,082.24)**	(799,731,863.34)

(e) Cash and cash equivalents

	2011	2010
Cash	**568,501,002.36**	1,501,686,084.60
Including: Cash on hand	**52,164.69**	10,317.43
Cash at bank that can be readily drawn on demand	**568,448,837.67**	1,501,675,767.17
Cash equivalents	**–**	–
Cash and cash equivalents	**568,501,002.36**	1,501,686,084.60

(f) Acquisition of a subsidiary

	2011	2010
Consideration for acquisition	**80,000,000.00**	–
Cash and cash equivalents paid for acquisition	**80,000,000.00**	–
Less: cash and cash equivalents held by the subsidiary	**(34,684.92)**	–
Net cash paid for acquisition	**79,965,315.08**	–

7 Notes to the consolidated financial statements *(continued)*

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

(f) Acquisition of a subsidiary *(continued)*

Net assets of the subsidiary acquired

	2011	2010
Current assets	**114,684.92**	–
Non-current assets	**208,236,810.00**	–
Current liabilities	**(3,200,000.00)**	–
Non-current liabilities	**(48,788,250.00)**	–
	156,363,244.92	–

8 Segment information

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

For each of the years ended 31 December 2011 and 2010, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the year ended 31 December 2011, revenue of top three customers of the Group accounted for 23%, 19% and 10% of the total revenue of the Group respectively (2010: 31%, 25% and 7%).

9 Contingencies

(1) Environmental contingencies

Historically, the Group has not incurred any significant expenditure for environmental remediation. Further, except as disclosed in Note 7(23), the Group is presently not involved in any other environmental remediation and has not accrued any other amounts for environmental remediation relating to its operations. Under existing legislations, management of the Company believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, may move further towards the adoption of more stringent environmental standards.

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

(2) Insurance

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

(3) Guarantee for a related party

Please refer to Note 10(7).

10 Related parties and related party transactions

(1) 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 Group	Youse 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 controlling party is Xinjiang Non-ferrous Group.

10 Related parties and related party transactions *(continued)*

(1) Information of the parent company *(continued)*

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

Name of company	31 December 2010	Current year additions	Current year reductions	**31 December 2011**
Xinjiang Non-ferrous Group	1,396,525,444.00	45,000,000.00	–	**1,441,525,444.00**

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

Name	**31 December 2011 % interests held and % voting rights**	31 December 2010 % interests held and % voting rights
Xinjiang Non-ferrous Group	**40.06%**	40.06%

(2) Information of subsidiaries

Please refer to Note 6.

(3) Information of joint-venture and associate

Please refer to Note 7(9)(a),(b),(c).

10 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
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	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
Puxiong Mining	Associate	741914686

10 Related parties and related party transactions *(continued)*

(5) Related party transactions

(a) Pricing policy of transactions with related party

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

(b) Purchases of materials from related parties

	2011	2010
Purchase of equipment parts		
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**133,136.24**	847,713.90
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**291,038.29**	551,543.00
Purchase of coal		
Fukang Non-ferrous Development Co., Ltd.	**1,276,621.54**	–
Purchase of nickel concentrate		
Hexin Mining	**118,880,368.14**	15,251,218.44
Purchase of raw materials and consumables		
Fukang Non-ferrous Development Co., Ltd.	**3,799,259.39**	2,049,049.53
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**699,522.00**	–
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	**100,083.08**	–
	125,180,028.68	18,699,524.87

Purchase of raw materials from related parties for the year ended 31 December 2011 represented 11.20% of total purchase of raw materials (2010:3%).

10 Related parties and related party transactions *(continued)*

(5) Related party transactions *(continued)*

(c) Provision of services by related parties

	2011	2010
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**317,813,871.18**	189,032,218.64
Fukang Non-ferrous Development Co., Ltd.	**2,751,385.46**	–
China Non-ferrous Metal Import and Export Company of Xinjiang	**44,339,694.37**	–
Provision of heat		
Fukang Non-ferrous Development Co., Ltd.	**10,551.17**	26,527.06
Transportation services		
Fukang Non-ferrous Development Co., Ltd.	**3,801,925.05**	3,191,871.01
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**3,811,153.63**	–
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**3,400,900.00**	3,200,900.00
Design fee		
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	**1,135,000.00**	315,000.00
Storage fee		
Beijing Baodi Xindi Kemao Co., Ltd.	**4,133,459.26**	401,785.06
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**1,235,534.40**	–
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**1,289,288.85**	1,129,222.24
	383,722,763.37	197,297,524.01

Payment for construction services to related party for 2011 represents 29% of total payment of construction services. (2010: 18%).

Payment for transportation services to related party 2011 represents 29% of total payment of transportation services. (2010: 30%).

10 Related parties and related party transactions *(continued)*

(5) Related party transactions *(continued)*

(d) Sale of products to related parties

	2011	2010
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**14,879,285.08**	22,270,604.49
China Non-ferrous Metal Import and Export Company of Xinjiang	**9,901,110.14**	–
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	**4,611,978.30**	–
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**1,768,667.62**	–
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**24,244.29**	–
	31,185,285.43	22,270,604.49

Sales of products to related parties for the year ended 31 December 2011 represented 2.1% of total sales (2010:1.9%).

(e) Lease fee payable to a related party

	2011	2010
Xinjiang Non-ferrous Group	**1,635,930.00**	1,635,930.00

The Group and Xinjiang Non-ferrous Group entered into an agreement that the Group leases the office from Xinjiang Non-ferrous Group during 1 January 2010 to 31 December 2012. Rental fee payable to Xinjiang Non-ferrous Group accounted for 100% of total lease fee.

10 Related parties and related party transactions *(continued)*

(5) Related party transactions *(continued)*

(f) Remuneration of key management

	2011	2010
Remuneration of key management	**5,073,393.13**	4,266,016.35

Directors' emoluments for the year ended 31 December 2011 are as follows:

Name	**Fee**	**Salary and allowance**	**Pension**	**Total**
Yuan Ze	**–**	**533,600.00**	**–**	**533,600.00**
Shi Wenfeng	**–**	**560,345.00**	**16,987.00**	**577,332.00**
Zhang Guohua	**–**	**560,345.00**	**16,987.00**	**577,332.00**
Liu Jun	**–**	**453,545.00**	**16,987.00**	**470,532.00**
Li Wing Sum, Steven (Appointed on 14 October 2011)	**21,956.46**	**–**	**–**	**21,956.46**
Chen Jianguo	**70,000.00**	**–**	**–**	**70,000.00**
Wang Lijin (Appointed on 16 May 2011)	**33,333.33**	**–**	**–**	**33,333.33**
Ng Yuk Keung (Retired on 14 October 2011)	**79,166.67**	**–**	**–**	**79,166.67**
Sun Baosheng (Deceased on 12 March 2011)	**10,416.67**	**–**	**–**	**10,416.67**

Directors' emoluments for the year ended 31 December 2010 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Yuan Ze	–	400,000.00	–	400,000.00
Shi Wenfeng	–	424,896.05	15,291.00	440,187.05
Zhang Guohua	–	424,896.05	15,291.00	440,187.05
Liu Jun	–	344,896.05	15,291.00	360,187.05
Ng Yuk Keung	100,000.00	–	–	100,000.00
Chen Jianguo	50,000.00	–	–	50,000.00
Sun Baosheng	50,000.00	–	–	50,000.00

10 Related parties and related party transactions *(continued)*

(5) Related party transactions *(continued)*

(f) Remuneration of key management *(continued)*

The five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2010: three) directors whose emoluments were reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) individuals during the year are as follows:

	2011	2010
Basic salaries, bonus, housing allowance, other allowances in kind	**1,053,545.00**	1,064,896.05
Pension	**26,787.00**	27,291.00
	1,080,332.00	1,092,187.05

	Number of individuals	
	2011	2010
Emolument bands:		
HK$0 – 1,000,000 (approximately RMB0 – 810,700)	**2**	2

(g) Provision of loan to a related party

	2011	2010
Hexin Mining	**–**	30,000,000.00

(h) Receipt of loan repayment by a related party

	2011	2010
Hexin Mining	**50,000,000.00**	–

10 Related parties and related party transactions *(continued)*

(5) Related party transactions *(continued)*

(i) Receipt of repayment of interest by an associate

	2011	2010
Puxiong Mining	**442,400.00**	378,297.50

(j) Dividend paid

	2011	2010
Xinjiang Non-ferrous Group	**132,780,600.00**	44,260,200.00

(k) Use of registered trademark

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

(6) Balances due from or due to related parties

(a) Accounts receivable

	2011	2010
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**1,255,416.10**	1,255,416.10
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**502,200.00**	–
Xinjiang Haoxin Lithia Developing Co., Ltd.	**324,351.70**	324,351.70
Fukang Non-ferrous Development Co., Ltd.	**–**	86,773.60
	2,081,967.80	1,666,541.40

As at 31 December 2011, the receivables from related parties accounted for 3% of total receivables (2010: 1%). Bad debt provision for the receivables due from related parties amounted to RMB654,823.84 (2010: RMB387,156.33).

10 Related parties and related party transactions *(continued)*

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

(b) Other receivables

	31 December 2011	31 December 2010
Puxiong Mining	**7,047,810.01**	7,047,810.01
Hexin Mining	**2,799,725.90**	52,655,000.00
	9,847,535.91	59,702,810.01

(c) Advances to suppliers

	31 December 2011	31 December 2010
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**518,804.42**	68,229.55
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	**380,000.00**	–
Fukang Non-ferrous Development Co., Ltd.	**–**	19,455.50
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**–**	448,410.62
	898,804.42	536,095.67

As at 31 December 2011, the advances to related parties accounted for 1.34% of total advances (2010: 1.84%).

(d) Notes receivable

	31 December 2011	31 December 2010
Fuyun Hengsheng Beryllium Industry Co., Ltd.	**–**	1,730,000.00

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

10 Related parties and related party transactions *(continued)*

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

(e) Accounts payable

	31 December 2011	31 December 2010
Hexin Mining	**8,126,780.37**	402,214.46
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	**1,795,631.92**	910,395.81
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**732,650.84**	724,294.40
Fukang Non-ferrous Development Co., Ltd.	**406,336.78**	276,073.65
Xinjiang Non-ferrous Metallurgy Manufacture Factory	**110,003.00**	110,003.00
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	**–**	40,000.00
	11,171,402.91	2,462,981.32

As at 31 December 2011, the payables to related parties accounted for 12% of total payables (31 December 2010: 3%).

(f) Other payables

	31 December 2011	31 December 2010
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	**74,148,263.48**	31,500,709.98
China Non-ferrous Metal Import and Export Company of Xinjiang	**3,226,000.00**	7,234,000.00
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	**380,000.00**	–
Fukang Non-ferrous Development Co., Ltd.	**282,678.40**	623,075.30
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	**50,000.00**	50,000.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	**50,000.00**	–
	78,136,941.88	39,407,785.28

As at 31 December 2011, the other payables to related parties accounted for 27% of total other payables (2010: 24%).

10 Related parties and related party transactions *(continued)*

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

(g) Advances from customers

	31 December 2011	31 December 2010
Xinjiang Non-ferrous Metals Industrial Materials (Group) Co., Ltd.	**603,985.38**	–
China Non-ferrous Metal Import and Export Company of Xinjiang	**455,701.09**	–
	1,059,686.47	–

As at 31 December 2011, advances from related parties accounted for 9% of total advances from customers.

(7) Guarantee for a related party

For the year ended 31 December 2011, each of the Company and the joint venturer issued corporate guarantees of RMB175,000,000.00 in favour of Hexin Mining's bank borrowing of RMB250,000,000.00 and financial lease of RMB100,000,000.00. Such corporate guarantees remained in force as at 31 December 2011.

11 Commitments

(1) Capital commitments

Capital expenditures contracted for but are not yet necessary to be recognised on the balance sheet:

	31 December 2011	31 December 2010
Buildings, machinery, and equipment	**3,008,731,590.64**	2,118,782,311.05
Mining right	**–**	6,500,000.00
	3,008,731,590.64	2,125,282,311.05

11 Commitments *(continued)*

(2) Operating lease commitments

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

	31 December 2011	31 December 2010
Within one year	**1,635,930.00**	1,635,930.00
Between one and two years	**–**	1,635,930.00
	1,635,930.00	3,271,860.00

12 Events after the balance sheet date

(1) Guarantee issued after the balance sheet date

In accordance with the resolution of the Board of Directors meeting passed on 16 March 2012, the Board of Directors approved another corporate guarantee of RMB125,000,000.00 in favour of Hexin Mining in addition to the guarantee disclosed in Note 10(7).

(2) Xinjiang Non-ferrous Group provided a loan to Wuxin Copper Mining

In January 2012, Wuxin Copper Mining entered into an agreement between Xinjiang Non-ferrous Group and Bank of Communication Co., Ltd. Xinjiang Branch. Pursuant to the agreement, Xinjiang Non-ferrous Group provided a loan of RMB100,000,000.00 to Wuxin Copper Mining through Bank of Communication Co., Ltd. Xinjiang Branch. The loan was unsecured, bearing interest at a rate of 7.315% per annum and repayable in January 2014.

(3) Dividend distribution after the balance sheet date

	Amount
Dividend proposed	66,300,000.00

In accordance with the resolution of the Board of Directors meeting passed on 16 March 2012, the Board of Directors proposed a dividend totalling RMB66,300,000.00 to the equityholders of the Company, which is not recorded as a liability in these financial statements (Note 7(31)).

13 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 and loan. Bank deposits and loans at variable rate expose the Group to cash flow interest rate risk. The Group adjusts the relative proportion of contracts at fixed rate and contracts at floating rate based on market situation. As at 31 December 2011, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB819,000,000.00 (2010: RMB30,000,000.00).

As at 31 December 2010, if interest rates had been 10% lower/higher with all other variables held constant, post-tax profit for the year would have been RMB1,268,151.14 higher/lower (31 December 2010: lower/higher RMB3,446,708.77).

(b) Credit risk

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

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

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

(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.

13 Financial instrument and risk *(continued)*

(1) Market risk *(continued)*

(c) Liquidity risk *(continued)*

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

	31 December 2011				
	Within 1 year	1 to 2 years	2 to 5 years	above 5 years	total
Trade payables	94,354,985.37	–	–	–	94,354,985.37
Borrowings	299,269,061.64	68,340,924.66	508,856,643.84	114,865,842.47	991,332,472.60
Notes payable	54,533,511.46	–	–	–	54,533,511.46
Other payables and accruals	287,114,544.91	–	–	–	287,114,544.91
	735,272,103.38	68,340,924.66	508,856,643.84	114,865,842.47	1,427,335,514.34

(d) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 52% of the total sales for the year ended 31 December 2011 (2010: 63%) were contributed by the top three customers for which the Group has not entered into any long-term sales contracts with them. In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

(e) Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 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 account receivable, account payable, notes receivable, notes payable and borrowings. As at 31 December 2011 and 2010, there were no financial instruments which are measured at fair value for the Group.

14 Notes to the parent company's financial statements

(1) Cash and bank balances

	31 December 2011	31 December 2010
Cash on hand	**31,210.98**	7,317.08
Cash at bank	**484,954,559.69**	1,134,656,349.52
Restricted cash at banks	**1,000,000.00**	6,315,230.66
	485,985,770.67	1,140,978,897.26

(2) Notes receivable

	31 December 2011	31 December 2010
Bank acceptance notes	**286,113,627.37**	2,408,098.00

(3) Accounts receivable

	31 December 2011	31 December 2010
Accounts receivable	**101,032,688.04**	161,736,914.31
Less: provision for bad debts	**(3,010,187.93)**	(2,720,390.39)
	98,022,500.11	159,016,523.92

14 Notes to the parent company's financial statements *(continued)*

(3) Accounts receivable *(continued)*

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

	31 December 2011			31 December 2010		
	Amount		Provision for bad debts	Amount		Provision for bad debts
	Amount	% of total balance	Amount	Amount	% of total balance	Amount
Within 1 year	**97,789,242.56**	**96.79%**	**(103,410.62)**	158,356,219.11	97.91%	(51,670.06)
1 to 2 years	**192,954.70**	**0.19%**	**(57,886.41)**	831,763.12	0.51%	(249,528.94)
2 to 3 years	**501,558.70**	**0.50%**	**(299,958.82)**	324,351.70	0.20%	(194,611.01)
3 to 4 years	**324,351.70**	**0.32%**	**(324,351.70)**	–	–	–
Over 4 years	**2,224,580.38**	**2.20%**	**(2,224,580.38)**	2,224,580.38	1.38%	(2,224,580.38)
	101,032,688.04	**100.00%**	**(3,010,187.93)**	161,736,914.31	100.00%	(2,720,390.39)

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

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	**–**	**–**	**–**	**–**	–	–	–	–
That the related provision for bad debts is provided on the grouping basis	**101,032,688.04**	**100.00%**	**(3,010,187.93)**	**2.98%**	161,736,914.31	100.00%	(2,720,390.39)	1.68%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	**–**	**–**	**–**	**–**	–	–	–	–
	101,032,688.04	**100.00%**	**(3,010,187.93)**	**2.98%**	161,736,914.31	100.00%	(2,720,390.39)	1.68%

14 Notes to the parent company's financial statements *(continued)*

(3) Accounts receivable *(continued)*

(c) The groups of accounts receivable used ageing analysis method for the purpose of bad debt provision assessment are analysed as follow:

	31 December 2011				31 December 2010			
	Amount		Provision for bad debts		Amount		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	97,789,242.56	96.79%	(103,410.62)	0.11%	158,356,219.11	97.91%	(51,670.06)	0.03%
1 to 2 years	192,954.70	0.19%	(57,886.41)	30.00%	831,763.12	0.51%	(249,528.94)	30.00%
2 to 3 years	501,558.70	0.50%	(299,958.82)	59.81%	324,351.70	0.20%	(194,611.01)	60.00%
3 to 4 years	324,351.70	0.32%	(324,351.70)	100.00%	–	–	–	–
Over 4 years	2,224,580.38	2.20%	(2,224,580.38)	100.00%	2,224,580.38	1.38%	(2,224,580.38)	100.00%
	101,032,688.04	100.00%	(3,010,187.93)	2.98%	161,736,914.31	100.00%	(2,720,390.39)	1.64%

(d) As at 31 December 2011, there were no accounts receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2010: Nil).

(e) As at 31 December 2011, the top five accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Jiuquan Steel Group Tianfeng Stainless Steel Co., Ltd.	Third party	60,898,979.12	Within 1 year	60.28%
Shanghai Luyue Trading Co., Ltd.	Third party	9,652,456.25	Within 1 year	9.55%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related party	1,255,416.10	Within 3 years	1.24%
Shanghai Jinmin Trading Co., Ltd.	Third party	802,933.20	Over 5 years	0.79%
Jiuquan Iron and Steel Group Co., Ltd.	Third party	622,807.31	Within 1 year	0.62%
		73,232,591.98		72.48%

14 Notes to the parent company's financial statements *(continued)*

(3) Accounts receivable *(continued)*

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

	Relationship with the Company	31 December 2011 Amount	% of total balance	Provision for bad debts	31 December 2010 Amount	% of total balance	Provision for bad debts
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Fellow subsidiary	**1,255,416.10**	**1.24%**	**(330,472.14)**	1,255,416.10	0.78%	(184,453.23)
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary	**324,351.70**	**0.32%**	**(324,351.70)**	324,351.70	0.20%	(194,611.02)
Fukang Non-ferrous Development Co., Ltd.	Fellow subsidiary	**–**	**–**	**–**	86,773.60	0.05%	(8,092.08)
		1,579,767.80	**1.56%**	**(654,823.84)**	1,666,541.40	1.03%	(387,156.33)

(4) Other receivables

	31 December 2011	31 December 2010
Amount due from subsidiaries	**112,741,005.14**	–
Factoring cost receivable (*note 7(5)(ii)*)	**3,872,685.99**	–
Amount due from a joint-venture (*note 7(5)(iii)*)	**2,655,000.00**	52,655,000.00
Staff advance	**1,346,823.78**	757,947.61
Others	**468,072.11**	329,132.23
	121,083,587.02	53,742,079.84
Less: provision for bad debts	**(6,275.21)**	(6,275.21)
	121,077,311.81	53,735,804.63

14 Notes to the parent company's financial statements *(continued)*

(4) Other receivables *(continued)*

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

	31 December 2011 Amount	% of total balance	Provision for bad debts	31 December 2010 Amount	% of total balance	Provision for bad debts
Within 1 year	118,155,305.93	97.58%	–	3,485,715.11	6.49%	–
1 to 2 years	16,916.36	0.01%	–	50,053,180.50	93.14%	–
2 to 3 years	2,708,180.50	2.24%	–	–	–	–
Over 4 years	203,184.23	0.17%	(6,275.21)	203,184.23	0.37%	(6,275.21)
	121,083,587.02	100.00%	(6,275.21)	53,742,079.84	100.00%	(6,275.21)

(b) Other accounts receivable by categories are analysed as follows:

	31 December 2011 Ending balance Amount	% of total balance	Provision for bad debts Amount	Ratio	31 December 2010 Ending balance Amount	% of total balance	Provision for bad debts Amount	Ratio
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
That the related provision for bad debts is provided on the grouping basis	121,083,587.02	100.00%	(6,725.21)	0.01%	53,742,079.84	100.00%	(6,725.21)	0.01%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	–	–	–	–	–	–	–	–
	121,083,587.02	100.00%	(6,725.21)	0.01%	53,742,079.84	100.00%	(6,725.21)	0.01%

(c) The groups of other receivables used ageing analysis method for the purpose of bad debt provision assessment are analysed as follow:

	31 December 2011 Ending balance Amount	% of total balance	Provision for bad debts Amount	Ratio	31 December 2010 Ending balance Amount	% of total balance	Provision for bad debts Amount	Ratio
Within 1 year	118,155,305.93	97.58%	–	–	3,485,715.11	6.49%	–	–
1 to 2 years	16,916.36	0.01%	–	–	50,053,180.50	93.14%	–	–
2 to 3 years	2,708,180.50	2.24%	–	–	–	–	–	–
Over 4 years	203,184.23	0.17%	(6,275.21)	3.09%	203,184.23	0.37%	(6,275.21)	3.09%
	121,083,587.02	100.00%	(6,275.21)		53,742,079.84	100.00%	(6,275.21)	

14 Notes to the parent company's financial statements *(continued)*

(4) Other receivables *(continued)*

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

(e) As at 31 December 2011, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Wuxin Copper Mining	Subsidiary	70,624,727.77	Within 1 year	58.33%
Zhongxin Mining	Subsidiary	41,606,277.37	Within 1 year	34.36%
Tianfeng Stainless Steel	The third party	3,872,685.99	Within 3 years	3.20%
Hexin Mining	Joint venture	2,655,000.00	2 to 3 years	2.19%
The mine production enterprise reclamation deposit	The third party	100,000.00	Over 4 years	0.08%
		118,858,691.13		98.16%

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

		31 December 2011			31 December 2010		
	Relationship with the Company	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Hexin Mining	Joint venture	**2,655,000.00**	**2.19%**	**–**	52,655,000.00	97.98%	–

(5) Advances to suppliers

The ageing of advances to suppliers is analysed below:

	31 December 2011		31 December 2010	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	**17,575,970.35**	**91.85%**	191,924,676.91	99.63%
1 to 2 years	**1,093,859.18**	**5.72%**	479,650.50	0.25%
2 to 3 years	**240,900.50**	**1.26%**	55,570.28	0.03%
Over 3 years	**225,736.96**	**1.17%**	170,166.68	0.09%
	19,136.466.99	**100.00%**	192,630,064.37	100.00%

14 Notes to the parent company's financial statements *(continued)*

(6) Inventories

	30 December 2011			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	**129,881,437.80**	**(543,427.80)**	**129,338,010.00**	66,337,660.11	(543,427.80)	65,794,232.31
Work in progress	**89,907,128.46**	**–**	**89,907,128.46**	55,956,296.88	–	55,956,296.88
Semi-finished goods	**128,549,847.21**	**–**	**128,549,847.21**	64,613,852.07	–	64,613,852.07
Finished goods	**258,220,620.49**	**(10,128,871.44)**	**248,091,749.05**	217,495,867.27	–	217,495,867.27
	606,559,033.96	**(10,672,299.24)**	**595,886,734.72**	404,403,676.33	(543,427.80)	403,860,248.53

(7) Other current assets

	31 December 2011	31 December 2010
Deductible VAT	**25,613,409.06**	26,489,001.26

(8) Long-term equity investments

	31 December 2011	31 December 2011
Subsidiaries (a)	**1,651,531,420.87**	1,336,131,420.87
Joint venture (b)	**147,076,126.29**	141,765,385.53
	1,798,607,547.16	1,477,896,806.40

There is no restriction on sale of the long-term equity investments held by the Company.

14 Notes to the parent company's financial statements *(continued)*

(8) Long-term equity investments *(continued)*

(a) Subsidiaries

	Accounting treatment	Initial investment cost	31 December 2010	Current year changes	31 December 2011	Equity interest held	Voting rights held
Mengxi Mining	Cost method	10,200,000.000	10,200,000.00	–	10,200,000.00	51.00%	51.00%
Xinjiang Yakesi	Cost method	467,844,415.12	720,171,915.12	–	720,171,915.12	99.51%	99.51%
Hami Jubao	Cost method	75,000,000.00	91,100,349.000	–	91,100,349.00	75.00%	75.00%
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	66.00%	66.00%
Kalatongka Mining	Cost method	10,000,000.00	–	10,000,000.00	10,000,000.00	100.00%	100.00%
Beijing Xinding	Cost method	100,000,000.00	–	100,000,000.00	100,000,000.00	100.00%	100.00%
Shaanxi Xinxin	Cost method	80,000,000.00	–	80,000,000.00	80,000,000.00	51.00%	51.00%
			1,336,131,420.87	315,400,000.00	1,651,531,420.87		

(b) Joint venture

	Accounting treatment	Initial investment cost	31 December 2010	Share of profits based on equity method	31 December 2011	Equity interest held	Voting rights held
Hexin Mining	Equity method	95,326,500.000	141,765,385.53	5,310,740.76	147,076,126.29	50%	50%

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

14 Notes to the parent company's financial statements *(continued)*

(9) Fixed assets

	Building	Mining structure	Machinery and equipment	Electronic equipment office equipment	Motor vehicles	Total
Cost						
31 December 2010	307,182,348.62	28,744,916.86	378,823,858.72	11,007,185.53	33,253,773.36	759,012,083.09
Transfer-in from construction in progress	188,517,614.67	–	581,784,016.40	–	–	770,301,631.07
Additions	394,930.58	–	8,393,946.15	1,892,792.35	3,504,377.84	14,186,046.92
Deductions	(2,268,180.00)	–	(2,231,318.37)	–	(376,920.00)	(4,876,418.37)
31 December 2011	493,826,713.87	28,744,916.86	966,770,502.90	12,899,977.88	36,381,231.20	1,538,623,342.71
Accumulated depreciation						
31 December 2010	156,546,130.56	12,793,064.28	143,522,404.71	5,773,172.57	13,691,163.10	332,325,935.22
Additions	15,772,437.00	1,491,453.73	45,566,240.62	1,458,460.79	2,948,384.34	67,236,976.48
Disposal	(1,426,098.48)	–	(1,846,332.27)	–	(354,993.31)	(3,627,424.06)
31 December 2011	170,892,469.08	14,284,518.01	187,242,313.06	7,231,633.36	16,284,554.13	395,935,487.64
Net book value						
31 December 2011	322,934,244.79	14,460,398.85	779,528,189.84	5,668,344.52	20,096,677.07	1,142,687,855.07
31 December 2010	150,636,218.06	15,951,852.58	235,301,454.01	5,234,012.96	19,562,610.26	426,686,147.87

Refer to Note 7(10(a))

(10) Intangible assets

	31 December 2010	Additions	**31 December 2011**
Cost	379,671,852.30	2,461.54	**379,674,313.84**
Mining rights	298,494,000.00	–	**298,494,000.00**
Land use rights	80,714,007.30	–	**80,714,007.30**
Others	463,845.00	2,461.54	**466,306.54**
Accumulated amortisation	43,232,602.77	11,640,762.00	**54,873,364.77**
Mining rights	35,299,860.00	9,900,720.00	**45,200,580.00**
Land use rights	7,665,146.70	1,646,957.64	**9,312,104.34**
Others	267,596.07	93,084.36	**360,680.43**
Net book value	336,439,722.23	(11,638,300.46)	**324,801,421.77**
Mining rights	263,194,140.00	(9,900,720.00)	**253,293,420.00**
Land use rights	73,049,333.30	(1,646,957.64)	**71,402,375.66**
Others	196,248.93	(90,622.82)	**105,626.11**

14 Notes to the parent company's financial statements *(continued)*

(11) Accounts payable

	31 December 2011	31 December 2010
Payable for materials	**140,609,617.36**	96,063,794.72
Transportation fee payable	**809,153.42**	1,021,441.52
Others	**20,349.54**	926,395.81
	141,439,120.32	98,011,632.05

The ageing of accounts payable based on their recording dates is analysed as follows:

	31 December 2011	31 December 2010
Within 3 months	**122,228,169.83**	29,118,846.37
3 to 6 months	**117,640.00**	5,883,333.47
Over 6 months	**19,093,310.49**	63,009,452.21
	141,439,120.32	98,011,632.05

(12) Advances from customers

	31 December 2011	31 December 2010
Advances for sales of goods	**10,140,503.82**	3,408,822.48

14 Notes to the parent company's financial statements *(continued)*

(13) Employee benefits payable

	31 December 2010	Current year additions	Current year reductions	**31 December 2011**
Salaries, bonuses, allowances and subsidies	30,511,934.02	146,190,360.82	(146,297,688.30)	**30,404,606.54**
Staff welfare	–	5,222,302.53	(5,222,302.53)	**–**
Social insurances	4,097,070.25	33,610,374.29	(33,733,744.90)	**3,973,699.64**
Including: Medical insurance	1,208,139.68	7,290,406.71	(7,259,596.42)	**1,238,949.97**
Pension insurance	1,587,868.02	21,296,135.56	(21,355,758.69)	**1,528,244.89**
Unemployment insurance	1,113,976.46	2,129,125.59	(2,254,395.10)	**988,706.95**
Work injury insurance	148,471.75	2,069,782.48	(2,045,925.30)	**172,328.93**
Maternity insurance	38,614.34	819,753.95	(812,899.39)	**45,468.90**
Illness insurance	–	5,170.00	(5,170.00)	**–**
Housing funds	1,321,982.14	9,838,527.00	(9,614,284.69)	**1,546,224.45**
Labor union fund and employee education fund	3,692,181.71	4,363,363.67	(3,473,782.38)	**4,581,763.00**
Others	2,006,718.36	455,911.92	(424,332.74)	**2,038,297.54**
	41,629,886.48	199,680,840.23	(198,766,135.54)	**42,544,591.17**

(14) Taxes payable

	31 December 2011	31 December 2010
Income tax payables	**16,643,620.61**	–
Resource compensation fee	**1,063,612.21**	2,805,344.65
Value added tax payable	**853,318.85**	231,063.34
Individual income tax	**788,660.24**	404,324.73
Stamp duty	**663,054.74**	390,170.23
Resource tax	**293,603.20**	295,138.40
City maintenance and construction tax payable	**58,532.59**	17,795.36
Educational surcharge payable	**24,696.83**	10,318.89
Others	**26,484.10**	5,481.00
Total	**20,415,583.37**	4,159,636.60

14 Notes to the parent company's financial statements *(continued)*

(15) Other payables

	31 December 2011	31 December 2010
Payables for construction in progress	**20,157,205.43**	28,317,844.52
Payables for equipments	**42,202,330.56**	30,250,993.28
Agency fee	**2,670,838.62**	2,566,270.68
Others	**5,997,771.20**	6,402,003.57
Total	**71,028,145.81**	67,537,112.05

(16) Provisions

	31 December 2010	Current year reductions	**31 December 2011**
Provision for close down, restoration and environmental costs	6,004,041.00	(630,520.00)	**5,373,521.00**

(17) Revenue and cost of sales

	2011	2010
Revenue from main operation	**1,372,045,769.85**	1,099,671,250.22
Revenue from other operation	**89,465,474.86**	15,840,435.55
	1,461,511,244.71	1,115,511,685.77

	2011	2010
Cost of sales from main operation	**1,132,316,529.56**	747,436,336.43
Cost of sales from other operation	**62,989,079.78**	10,917,606.02
	1,195,305,609.34	758,353,942.45

14 Notes to the parent company's financial statements *(continued)*

(17) Revenue and cost of sales *(continued)*

(a) Revenue and cost of sales from main operation

	2011		2010	
	Revenue from main operation	**Cost of main operation**	Revenue from main operation	Cost of main operation
Nickel cathode	**1,060,176,063.79**	**846,335,165.70**	863,832,713.89	585,133,263.19
Copper cathode	**279,116,913.43**	**261,157,331.67**	197,098,593.04	145,257,491.79
Others	**32,752,792.63**	**24,824,032.19**	38,739,943.29	17,045,581.45
	1,372,045,769.85	**1,132,316,529.56**	1,099,671,250.22	747,436,336.43

(b) Revenue and cost of sales from other operation

	2011		2010	
	Revenue from other operation	**Cost of sales from other operation**	Revenue from other operation	Cost of other operation
Sales cold material	**67,675,329.72**	**54,413,617.80**	–	–
Scrap sales	**12,044,512.04**	**1,155,382.72**	4,093,913.28	427,922.29
Sales of electricity	**3,369,902.37**	**3,110,184.95**	3,995,884.06	4,008,466.18
Sales of materials	**3,068,351.66**	**3,250,102.68**	3,190,545.08	2,482,294.17
Others	**3,307,379.07**	**1,059,791.63**	4,560,093.13	3,998,923.38
	89,465,474.86	**62,989,079.78**	15,840,435.55	10,917,606.02

14 Notes to the parent company's financial statements *(continued)*

(17) Revenue and cost of sales *(continued)*

(c) Top five customers of the Company

Top five of the revenue of the Company amounted to RMB934,256,361.49 for year ended 31 December 2011 (2010: RMB817,771,128.66), which accounted for 63.92% (2010: 73%) of the total revenue of the Company. Details are as follows:

	Revenue of sales	Percentage of the total revenue of the Company (%)
Tianfeng Stainless Steel	339,745,831.79	23.25%
Shaanxi Shenghua Nonferrous Metal Co., Ltd.	277,578,027.44	18.99%
Jiangsu Yuanhang Precision Alloy Technology Co., Ltd.	144,345,171.32	9.88%
Shenyang Chengtong Metal Co., Ltd.	98,316,009.62	6.72%
Ningbo Kelun metal Co., Ltd.	74,271,321.32	5.08%
	934,256,361.49	63.92%

(18) Investment Income/loss

	2011	2010
Income from subsidiaries under cost method	**105,760,490.37**	–
Income/(loss) from a joint-venture under equity method	**5,310,740.76**	(1,911,370.76)
	111,071,231.13	(1,911,370.76)

14 Notes to the parent company's financial statements *(continued)*

(19) Income tax expenses

	2011	2010
Current income tax	**42,794,917.35**	92,247.32
Deferred income tax	**(650,137.80)**	(2,208,693.41)
	42,144,779.55	(2,116,446.09)

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the Company's financial statements to the income tax expenses is listed as below:

	2011	2010
Total profit	**266,007,286.94**	283,012,337.15
Income tax expenses calculated at applicable tax rate of 25%	**66,501,821.74**	70,753,084.29
Effect of tax exemption or deductions	**–**	(73,721,436.88)
Income not subject to tax	**(27,767,807.78)**	–
Expenses not deductible for tax purposes	**3,410,765.59**	851,906.50
	42,144,779.55	(2,116,446.09)

14 Notes to the parent company's financial statements *(continued)*

(20) Supplementary information to consolidated cash flow statements

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

	2011	2010
Net profit	**223,862,507.39**	285,128,783.24
Adjustment:		
Provisions for asset impairment	**10,418,668.98**	148,014.17
Depreciation of fixed assets	**67,216,376.97**	33,313,009.34
Amortisation of intangible assets	**11,640,762.00**	12,982,710.03
Financial expenses	**5,423,414.08**	244,445.62
Losses on disposal of fixed assets	**1,753,749.10**	2,093,435.24
Investment (gain)/loss	**(111,071,231.13)**	1,911,370.76
Increase in deferred tax assets	**(650,137.80)**	(2,208,693.41)
Increase in inventories	**(193,731,488.94)**	(183,049,674.68)
Increase in operating receivables	**(93,588,144.92)**	(248,617,800.32)
Decrease/(Increase) in operating payables	**69,365,654.33**	(20,388,078.53)
Decrease/(Increase) in restricted cash at banks	**5,315,230.66**	(6,315,230.66)
Others	**(653,101.97)**	384,631.53
Net cash flows from operating activities	**(4,697,741.25)**	(124,373,077.67)

(b) Movement of cash and cash equivalents

	2011	2010
Cash and cash equivalents at end of year	**484,985,770.67**	1,134,663,666.60
Less: cash and cash equivalents at beginning of year	**1,134,663,666.60**	2,178,089,645.63
Net increase in cash and cash equivalents	**(649,677,895.93)**	(1,043,425,979.03)

15 Net current assets

	The Group	
	31 December 2011	31 December 2010
Current assets	**1,805,509,318.75**	2,288,886,706.85
Less: current liabilities	**(783,193,808.59)**	(346,637,562.62)
Net current assets	**1,022,315,510.16**	1,942,249,144.23

	The Company	
	31 December 2011	31 December 2010
Current assets	**1,632,047,235.50**	1,980,818,399.21
Less: current liabilities	**(535,567,944.49)**	(214,747,089.66)
Net current assets	**1,096,479,291.01**	1,766,071,309.55

16 Total assets less current liabilities

	The Group	
	31 December 2011	31 December 2010
Total assets	**7,244,186,719.44**	6,221,146,185.73
Less: current liabilities	**(783,193,808.59)**	(346,637,562.62)
Total assets less current liabilities	**6,460,992,910.85**	5,874,508,623.11

	The Company	
	31 December 2011	31 December 2010
Total assets	**5,847,099,152.36**	5,624,668,892.10
Less: current liabilities	**(535,567,944.49)**	(214,747,089.66)
Total assets less current liabilities	**5,311,531,207.87**	5,409,921,802.44

Xinjiang Xinxin Mining Industry Co., Ltd.

新疆新鑫礦業股份有限公司