



Xinjiang Xinxin Mining Industry Co., Ltd.*

新疆新鑫礦業股份有限公司

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

Stock Code : 3833

Interim Report

20
12




We See The Future

* For identification purpose only

CONTENTS

2	Corporate Information
3	Company Results
4	Management Discussion and Analysis
12	Directors' Interest
14	Share Capital and Dividends
15	Employees and Welfare
16	Corporate Governance
18	Consolidated and Company Balance Sheets (Unaudited)
20	Consolidated and Company Income Statements (Unaudited)
21	Consolidated and Company Statements of Cash Flows (Unaudited)
23	Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
25	Notes to the Financial Statements (Unaudited)



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

Audit Committee

Chen Jianguo (*Chairman*)
Li Wing Sum, Steven
Zhou Chuanyou

Remuneration and Review Committee

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

Nomination Committee

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

Strategic Development Committee

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

Company secretaries

Lam Cheuk Fai *FCCA, FCPA*
Zhang Junjie

Authorised representatives

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

Registered office in Hong Kong

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Statutory address and principal place of business in the PRC

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Xinjiang

Legal advisers

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

Auditors

International and PRC auditors
PricewaterhouseCoopers Zhong Tian CPAs
Limited Company

H Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
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Company website

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Stock Code

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Company Results

The board of directors (the “Board”) of Xinjiang Xinxin Mining Industry Co., Ltd.* (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries (the “Company and its Subsidiaries” or the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises (“CAS”) for the six months ended 30 June 2012 (the “Period”), together with the unaudited consolidated operating results for the six months ended 30 June 2011 (“First Half of 2011” or the “Same Period Last Year”) for comparison. Such operating results have been reviewed and confirmed by the Company’s audit committee (the “Audit Committee”). Consolidated revenue of the Group for the Period increased by 51.8% to RMB681.9 million from RMB449.2 million, mainly due to increase in sales of the Group’s major products, namely nickel cathode and copper cathode by 91.9% and 192.3%, respectively. The realised consolidated net profit attributable to the shareholders of the Company decreased by 69.4% to RMB18.7 million, mainly due to the decrease in product selling prices of the Group for the Period which in turn squeezed the gross profit margin.

Basic earnings per share attributable to the shareholders of the Company for the Period amounted to RMB0.008, representing a decrease of RMB0.02 per share as compared to that for the Same Period Last Year. The decrease in basic earnings per share was mainly due to the decrease in net profit.

The Board does not recommend any payment of interim dividend for 2012.

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

* *For identification purpose only*



Management Discussion and Analysis

Market Review

During the Period, due to the effects of the debt crisis in Europe and the slowdown of the Chinese economic growth, the international and domestic prices of nickel and copper dropped continuously.

During the Period, London Metal Exchange (“LME”) average three-month future price of nickel cathode was US\$18,472 per tonne, representing a 27.9% decrease from US\$25,629 per tonne for the Same Period Last Year. The average three-month future price of copper cathode was US\$8,078 per tonne, representing a 14.1% decrease from US\$9,406 per tonne for the same period last year.

During the Period, the average spot price (including tax) of nickel cathode in Shanghai Yangtze River Non-ferrous Metals Spot Market was RMB132,478 per tonne, representing a 31.5% decrease from RMB193,457 per tonne for the Same Period Last Year. The average spot price (including tax) of copper cathode was RMB57,732 per tonne, representing a 18.0% decrease from RMB70,446 per tonne for the Same Period Last Year.

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

Prospects and Countermeasures

The Group expects that in the second half of 2012, the average market prices of nickel cathode and copper cathode in the domestic market can maintain at the same level as the average spot prices of Shanghai Yangtze River Non-ferrous Metals Spot Market in the second quarter of 2012, and demonstrate a bumpy upward trend.

In the second half of 2012, the Group will continue to expand its production scale. The plan is to produce 5,416 tonnes of nickel cathode, which is expected to increase 18.2% when compared to the Period; and to produce 4,026 tonnes of copper cathode, which is expected to increase 25.5% when compared to the Period. Such increases aim at achieving the production operational objectives, which is to produce 10,000 tonnes of nickel cathode and 7,233 tonnes of copper cathode in 2012. The Group will endeavor to stabilize the production capacity of existing technological renovation and expansion projects and to uplift the level of skills and techniques. Moreover, the Group will continue to expand its production capacity and to improve the recycle rate of metal, with an aim to accomplishing the production volume targets and the standard of the technological renovation and expansion projects as soon as possible. At the same time, the Group will proceed with the construction of the technological renovation and expansion projects in progress in order to ensure that all projects in progress will be completed and can commence production as scheduled.

In order to counteract with the general decrease in selling prices of non-ferrous metals under the international economic recession, in the second half of 2012, the Group will continue to reinforce its corporate management and explore its internal potential, so as to further reduce its production cost and increase its corporate operational efficiency. When the domestic and international prices of nickel and copper remain at a relatively low position and the market is highly volatile, the Group will enhance its market analyses and researches and implement a more flexible marketing strategy, which will enable the Group to realize sales at higher metal prices and to increase its economic efficiency.

Management Discussion and Analysis

Business Review

During the Period, the consolidated revenue of the Group amounted to RMB681.9 million, representing a 51.8% increase from RMB449.2 million for the Same Period Last Year. The total realised consolidated net profit attributable to the equity holders of the Company was RMB18.7 million, down 69.4% from RMB61.3 million for the Same Period Last Year.

During the Period, the Group produced 4,584 tonnes of nickel cathode, up 68.5% as compared to 2,720 tonnes for the Same Period Last Year, and produced 3,207 tonnes of copper cathode, representing an increase of 126.8% comparing with 1,414 tonnes for the Same Period Last Year.

During the Period, the Group sold 4,353 tonnes of nickel cathode, surging 91.9% as compared to 2,268 tonnes for the Same Period Last Year, and sold 3,273 tonnes of copper cathode, representing an increase of 192.3% from 1,120 tonnes for the Same Period Last Year.

During the Period, the average selling price of nickel cathode of the Group was RMB113,386 per tonne (excluding tax), representing a 29% decrease from RMB159,708 for the Same Period Last Year, and the average selling price of copper cathode was RMB49,293 per tonne (excluding tax), representing a 16.6% decrease from RMB59,104 for the Same Period Last Year.

Resources and Reserves

The estimated resources and reserves for the deposits of the Group's mines at Kalatongke, Huangshandong, Huangshan and Xiangshan as at 30 June 2012 are set out in the following tables:

	Ore (t)	Grade		Metal contents	
		Cu (%)	Ni (%)	Cu (t)	Ni (t)
Resources as at 30 June 2012					
Kalatongke	33,410,532	1.01	0.57	337,462	189,449
Huangshandong, Huangshan, Xiangshan	84,357,620	0.27	0.45	230,017	379,095
Total	117,768,152			567,479	568,544
Reserves as at 30 June 2012					
Kalatongke	19,422,667	1.04	0.63	201,780	121,752
Huangshandong, Huangshan, Xiangshan	33,660,918	0.30	0.50	102,632	166,750
Total	53,083,585			304,412	288,502

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



Management Discussion and Analysis

Mineral Exploration, Mine Development and Mining Production Activities

Mineral Exploration

During the Period, Xinjiang Kalatongke Mining Industry Company Limited (“Kalatongke Mining”), a wholly-owned subsidiary of the Company, mainly conducted the supplementary exploration of No. 1 and No. 2 ore deposits and exploration of mine areas, as well as completed 7,612 meters of drilling in pit and 330 meters of surface drilling. Xinjiang Yakesi Resources Co. Ltd. (“Xinjiang Yakesi”) and Hami Jubao Resources Co. Ltd. (“Hami Jubao”), the wholly-owned subsidiaries of the Company, carried out exploration works at Huangshandong No. 17 Mine Area and Xiangshan Mine Areas and completed tunneling footage totaling 266 meters.

During the Period, the Group’s geological exploration expenditure amounted to RMB2.2 million.

Mine Development

During the Period, Kalatongke Mining completed a number of works, namely, cumulative brush expansion of 417 meters at the 770-410 meter level of primary sliding well of No. 1 ore body, excavation of 352 meters at the 590 meter level of the west transportation strike drive, excavation of 50 meters at the 506 meter level of No. 2 wind well of No. 2 ore body with cumulative excavation of 295 meters, excavation of 774 meters in west-east direction at 530 meter level of filling return airway of No. 4 wind well of No. 3 ore body, excavation of 53 meters of No. 3 wind well, cumulative excavation of 321 meters at 410 meter level of airway, excavation of 246 meters in east-west direction at 530 meter level of filling return airway and cumulative excavation of 148 meters of ramp and access. Xinjiang Yakesi has made respective investments in developing No. 17 ore body of Huangshandong of 23,611 m³, developing the auxiliary well of Xiangshan Mine of 13,930 m³, developing No. 30 ore body of Huangshanxi of 29,701 m³ and No. 32 ore body and well-lane of Huangshanxi of 9,931 m³. Hami Jubao has invested in developing No. 12 Mine of Huangshandong of 30,969 m³.

During the Period, the Group’s total expenditure for development and construction in the mining industry amounted to RMB81.3 million.

Mining Production

During the Period, Kalatongke Mining produced 255,707 tonnes of ores. Xinjiang Yakesi and Hami Jubao produced 315,698 tonnes of ores.

During the Period, the aggregate expenditure on the ore mining operation of the Group was RMB130.0 million.

Management Discussion and Analysis

Financial Review and Analysis

Revenue and gross profit

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

Product Name	For the period ended 30 June 2012			For the period ended 30 June 2011		
	Sales Volume Tonnes	Amount RMB'000	% to Revenue	Sales Volume Tonnes	Amount RMB'000	% to Revenue
Nickel cathode	4,352.8	493,544	72.4%	2,268.2	362,254	80.6%
Copper cathode	3,273.4	161,357	23.7%	1,120.0	66,195	14.7%
Copper concentrate	1,077.5	12,307	1.8%	–	–	0.0%
Other products		14,701	2.1%		20,751	4.7%
Total revenue		681,909	100%		449,200	100.0%
Cost of sales		(577,352)	84.7%		(313,587)	69.8%
Included: Nickel cathode		(443,243)			(256,737)	
Copper cathode		(115,834)			(44,196)	
Copper concentrate		(3,949)			–	
Other products		(14,326)			(12,654)	
Gross profit		104,557	15.3%		135,613	30.2%

During the Period, the revenue of nickel cathode of the Group increased 36.2% to RMB493.5 million as compared to that in the Same Period Last Year. The average selling price of nickel cathode decreased 29% to RMB113,386 per tonne as compared to the Same Period Last Year. During the Period, the sales volume of nickel cathode of the Group increased 91.9% to 4,352.8 tonnes. The increase in revenue attributable to the increase in sales volume of nickel cathode was partially offset by the decrease in price.

During the Period, the revenue of copper cathode of the Group increased 143.8% to RMB161.4 million as compared to that in the Same Period Last Year. The average selling price of copper cathode decreased 16.6% to RMB49,293 per tonne as compared to the Same Period Last Year. During the Period, the sales volume of copper cathode of the Group increased 192.3% to 3,273.4 tonnes. The increase in revenue attributable to the increase in sales volume of copper cathode was partially offset by the decrease in price.

During the Period, the revenue of copper concentrate of the Group was RMB12.3 million, the average selling price of copper concentrate was RMB11,421 per tonne and its sales volume was 1,077.5 tonnes.

Management Discussion and Analysis

During the Period, the revenue of other products of the Group decreased 29.2% to RMB14.7 million as compared to the Same Period Last Year. The decrease in revenue was due to the decrease in the sales volumes of the precious metals such as gold, silver, platinum and palladium and the increase in inventory during the Period.

During the Period, the per unit cost of sales of nickel cathode of the Group decreased approximately 10.0% to RMB101,830 per tonne as compared to the Same Period Last Year. The per unit cost of sales of copper cathode decreased approximately 10.3% as compared to the Same Period Last Year to RMB35,386 per tonne.

During the Period, the gross profit of the Group was RMB104.6 million, representing a decrease of 22.9% as compared to RMB135.6 million of the Same Period Last Year. The gross profit margin for the Period and the Same Period Last Year were 15.3% and 30.2%, respectively. The decrease in gross profit margin of the Group during the Period is due to the decrease in selling prices of nickel cathode and copper cathode.

Sales and marketing costs

During the Period, sales and marketing costs of the Group increased by 102.4% to RMB6.2 million as compared to that in the Same Period Last Year, mainly due to the significant increase in the sales volume of nickel cathode and copper cathode as compared to the Same Period Last Year.

Administrative expenses

During the Period, administrative expenses of the Group decreased 3.5% to RMB59.1 million as compared to that in the Same Period Last Year, mainly due to the decrease in the mineral resources compensation fee as compared to the Same Period Last Year.

Finance cost – net

During the Period, the net finance cost of the Group increased RMB17.8 million to RMB6.2 million as compared to that in the Same Period Last Year (the net finance income was RMB11.6 million), mainly due to the significant increase in bank borrowings for the Period as compared to that in the Same Period Last Year, leading to an increase in interest from bank borrowings.

Financial position

The consolidated balance sheet of the Group remains strong. As at 30 June 2012, the shareholders' equity decreased by 0.8% to RMB5,649.3 million as compared to 31 December 2011, primarily due to distribution of final dividend for 2011 during the Period as approved by the shareholders in Annual General Meeting 2011. As at 30 June 2012, total assets increased by 7.5% to RMB7,785 million as compared to 31 December 2011, primarily due to the receipt of the project constructions and the working capital loans and the operating profit generated during the Period.

At at 30 June 2012, the Group's net cash outflow generated from operating activities was RMB99.7 million, representing a decrease of RMB127.4 million as compared to that in the Same Period Last Year, primarily due to an increase in revenue. Net cash outflow used in investing activities of RMB479.7 million mainly consisted of the payments for the equipment and project expenses in relation to various technology renovation and expansion projects of the Group. Net cash inflow generated from financing activities of RMB467.5 million mainly consisted of the project construction loans received by the Group.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2012, the Group had total cash and cash equivalents amounting to RMB456.5 million, and those as at 31 December 2011 were RMB568.5 million.

	As at 30 June 2012	As at 31 December 2011
Current Ratio (Times)	1.96	2.3
Gearing Ratio (Total borrowings/total assets)	17%	11.3%

As at 30 June 2012, the Group's borrowings were working capital borrowings of RMB360 million and the loans, amounting to RMB710 million for infrastructure projects of Xinjiang Yakesi, as well as the loans, amounting to RMB250 million for infrastructure projects of a controlling subsidiary of the Company, Xinjiang Wuxin Copper Company Limited ("Wuxin Copper").

Commodity Price Risk

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

Risk of Fluctuations in Exchange Rate

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

Management Discussion and Analysis

Tax risk

The Company and its branches (excluding its Shanghai sales branch) were exempted from corporate income tax from 2007 to 2010 pursuant to an approval obtained from the People's Government of Xinjiang Uygur Autonomous Region and the local tax bureau of where the corporate locates, Xinjiang Yakesi was subject to corporate income tax rate of 15% during the period from 1 January 2005 to 31 December 2010, while Hami Jubao was subject to corporate income tax rate of 7.5% during the period from 1 January 2009 to 31 December 2010. The above preferential income tax policies had expired at the end of 2010. Under the stipulation of the Notice Concerning the Issues on Corporate Income Tax with Respect to Further Implementing the Western China Development Strategy (關於深入實施西部大開發戰略有關企業所得稅問題的公告) of the State Administration of Taxation, before the publication of the catalogue of Encouraged Industries in Western China (西部地區鼓勵類產業目錄), the Company, Xinjiang Yakesi and Hami Jubao had been approved by the local tax bureaus where these corporates locate. Under such approvals, for the first half of 2012, the corporate income taxes of the Company and its branches (except the Shanghai sales branch), Xinjiang Yakesi and Hami Jubao shall be determined and paid at a temporary tax rate of 15%. At present, the tax bureau has not yet issued a finalized written confirmation regarding the above tax preference for the Company and its branches (except the Shanghai sales branch), Xinjiang Yakesi and Hami Jubao.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the Period.

Charge on Assets

As at 30 June 2012, a bank deposit in an amount of RMB17.9 million was set aside as security for the issue of acceptance bill by banks and deposits for various purposes. Save as disclosed, there were no other charges or pledges of assets in the Group as at 30 June 2012.

Material Litigation

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

Contingent Liabilities

Save as disclosed in Notes 9 and 10(7) to the unaudited consolidated interim financial statements of the Group, the Group had no other significant contingent liabilities as at 30 June 2012.

Major Acquisitions and Disposal

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

Business Reorganization

Under the approval of the Board, the Company completed the process of injecting the entire assets, business, personnel of the Kalatongke Mine of Xinjiang Xinxin Mining Industry Co., Ltd. (the branch wholly-owned by the Company) to Xinjiang Kalatongke Mining Industry Co. Ltd. (a wholly-owned subsidiary of the Company) on 28 March 2012.

Management Discussion and Analysis

Significant Events after Balance Sheet Date

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

Historical Capital Expenditure

Capital expenditure was primarily used to expand the production capacities of the Group and to improve the mining, ore processing, smelting and refining technology of the Group. The following table sets out the conditions of the Group's capital expenditure as well as the ratio of the capital expenditure of each operation over total capital expenditure based on various categories of operations for the six months ended 30 June 2012:

	Six months ended 30 June 2012	
	<i>RMB'000</i>	<i>Percentage</i> %
Mining, ore processing and smelting and complementary operations in Kalatongke Mining	78,063	15.5%
Refining and complementary operations in Fukang Refinery of Xinjiang Xinxin Mining Industry Co., Ltd.	30,461	6.1%
Mining and ore processing operations in Xinjiang Yakesi	129,467	25.7%
Mining operation in Hami Jubao	8,236	1.6%
Smelting and complementary operations of Xinjiang Zhongxin Mining Company Limited	3,281	0.7%
Smelting operating of Wuxin Copper with capacity of 100,000 tonnes	253,592	50.4%
	503,100	100%

Use of proceeds

During the Period, the Company did not utilise any proceeds from the initial public offering.

Commitments

Commitments of the Group as at 30 June 2012 are disclosed in Note (11) to the unaudited consolidated interim financial statements.

Directors' Interest

Directors' and Supervisors' Interest in Contract

As at 30 June 2012, none of the directors or supervisors of the Company had any material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, its subsidiaries or any of its fellow subsidiaries was a party during the Period.

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

As at 30 June 2012, the interests or short positions, if any, of the directors and supervisors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long Positions in Shares and Underlying Shares of the Company

Director/Supervisor	Number of Shares held			Classes of share	Percentage of aggregate interests to relevant class of share	Percentage of aggregate interests to the total share capital
	Personal interest	Corporate interests	Total interests			
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 Kuangneng Co. Ltd ("Shanghai Yilian") and Zhongjin Investment (Group) Ltd ("Zhongjin Investment"). The entire shareholding or equity interest of Shanghai Yilian and Zhongjin Investment are beneficially owned by Zhou Chuanyou.

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

Save as disclosed above, none of the directors and supervisors of the Company or their respective associates had, as at 30 June 2012, any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interest

Share Appreciation Rights Incentive Scheme

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

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

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

Below listed are the recipients of the SARIS and their allocated number of shares under the SARIS as at 16 March 2012:

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

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, voided and cancelled.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

Save as disclosed above, during the Period no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company was granted to any directors or supervisors of the Company or their respective spouses or minor children, or no any such rights was exercised by them; and none of the Company, its holding company, its subsidiary or any of its fellow subsidiaries was a party to any arrangement to enable the directors or supervisors of the Company to acquire such rights in any other body corporate.

Share Capital and Dividends

Share Capital

The Company's share capital as at 30 June 2012 is as follows:

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

Shareholding of Substantial Shareholders

So far as known to any director or supervisor of the Company, as at 30 June 2012, the persons or companies (other than a director or supervisor of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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

(L) = Long positions

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

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

Save as disclosed above, as at 30 June 2012, the directors of the Company were not aware of any other person (other than a director or supervisor of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Dividends

The Board does not recommend any payment of interim dividend for 2012 (Nil for 2011).

Employees and Welfare

As at 30 June 2012, the Group had a total of 3,793 full-time employees. Breakdowns by function and division are as follows:

Division	Employees	Total <i>(In percentage)</i>
Management and administration	219	5.8%
Engineering technician	610	16.1%
Production staff	2,191	57.8%
Repair and maintenance	563	14.8%
Inspection	189	5.0%
Sales	21	0.5%
	3,793	100.0%

The remuneration package of the Group's employees includes salary, bonuses and allowances. The Group has participated in the social insurance contribution plans organised by local governments in the PRC. In accordance with the relevant national and local labour and social welfare laws and regulations, the Group is required to pay on behalf of its employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident funds. According to the currently applicable local regulations, the respective percentages of the pension insurance, medical insurance, unemployment insurance and housing provident funds which the Group must contribute are 20%, 6%-9%, 2% and 12%, 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.



Corporate Governance

Compliance with the Code on Corporate Governance Practices and Corporate Governance Code

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

The Stock Exchange made various amendments to the Code on Corporate Governance Practices (the “Old Code”) contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code and Corporate Governance Report (the “CG Code”). The CG Code took effect on 1 April 2012.

The Company has fully complied with all code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012. It has also fully complied with the CG Code during the period from 1 April 2012 to 30 June 2012, other than code provision A.1.8 of the CG Code.

Code provision A.1.8 of the CG Code provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors. During the Period, the Company did not arrange appropriate insurance cover in respect of legal action against its directors. However, the Company has obtained insurance policy covering legal action against its directors which became effective on 1 August 2012.

Board of Directors

The Board consists of nine directors, including four executive directors, two non-executive directors and three independent non-executive directors. During the Period, the Board convened three meetings (with an attendance rate of 25/27) in which one executive director, Shi Wenfeng, and one non-executive director, Zhou Chuanyou, both attended two of the Board meetings and the other directors attended all of the Board meetings.

Supervisory Committee

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

Model Code for Securities Transactions by Directors of Listed Issuers

The Company had adopted the Model Code as its code of conduct regarding securities transactions by the directors of the Company (the “Directors”) on terms no less exacting than the required standard set out in the Model Code. Upon specific enquiries made of all the Directors and in accordance with information provided, the Board confirmed that all directors of the Company have complied with the provisions under the Model Code during the Period.

Audit Committee

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

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

Xinjiang, the PRC, 24 August 2012

Consolidated and Company Balance Sheets (Unaudited)

As at 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

	Note	30 June 2012 Consolidated (unaudited)	31 December 2011 Consolidated (audited)	30 June 2012 Company (unaudited)	31 December 2011 Company (audited)
ASSETS					
Current assets					
Cash at bank and on hand	7(1)/13(1)	474,424,211.62	611,497,590.46	384,705,800.71	485,985,770.67
Notes receivable	7(2)/13(2)	351,855,180.24	293,053,627.37	335,455,180.24	286,113,627.37
Interest receivable	7(3)	–	211,414.77	–	211,414.77
Accounts receivable	7(4)/13(3)	104,537,451.11	75,015,347.87	103,419,596.29	98,022,500.11
Advances to suppliers	7(6)/13(5)	170,809,510.42	67,113,350.93	119,309,206.10	19,136,466.99
Other receivables	7(5)/13(4)	24,729,562.01	17,462,538.48	685,812,984.19	121,077,311.81
Inventories	7(7)/13(6)	718,728,590.30	688,100,398.94	466,751,098.50	595,886,734.72
Other current assets	7(8)/13(7)	50,698,991.99	53,055,049.93	18,106,991.79	25,613,409.06
Total current assets		1,895,783,497.69	1,805,509,318.75	2,113,560,857.82	1,632,047,235.50
Non-Current assets					
Long-term equity investments	7(9)/13(8)	146,339,926.70	151,428,773.82	3,013,797,636.37	1,798,607,547.16
Fixed assets	7(10)/13(9)	1,470,610,811.01	1,428,032,052.41	446,819,408.28	1,142,687,855.07
Construction materials	7(11)	11,803,390.40	14,093,703.01	15,101.54	–
Construction in progress	7(12)	3,085,328,800.22	2,667,772,682.16	102,929,901.34	936,174,052.36
Intangible assets	7(13)/13(10)	1,031,540,846.43	969,754,943.63	32,266,671.39	324,801,421.77
Goodwill	7(14)	28,087,550.20	28,087,550.20	–	–
Long-term prepaid expenses		377,928.13	566,097.77	–	–
Deferred tax assets	7(26)	23,603,729.59	19,043,271.19	7,501,040.50	7,501,040.50
Other non-current assets	7(15)	91,482,490.00	159,898,326.50	10,142,990.00	5,280,000.00
Total non-current assets		5,889,175,472.68	5,438,677,400.69	3,613,472,749.42	4,215,051,916.86
TOTAL ASSETS		7,784,958,970.37	7,244,186,719.44	5,727,033,607.24	5,847,099,152.36

Consolidated and Company Balance Sheets (Unaudited)

As at 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

	Note	30 June 2012 Consolidated (unaudited)	31 December 2011 Consolidated (audited)	30 June 2012 Company (unaudited)	31 December 2011 Company (audited)
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term loans	7(24)	350,000,000.00	250,000,000.00	310,000,000.00	250,000,000.00
Notes payable	7(17)	11,999,588.00	54,533,511.46	–	–
Accounts payable	7(18)/13(11)	96,890,466.77	94,354,985.37	9,712,230.45	141,439,120.32
Advances from customers	7(19)/13(12)	53,380,422.07	12,337,202.49	24,011,546.39	10,140,503.82
Employee benefits payable	7(20)/13(13)	43,829,546.84	52,608,823.66	18,174,225.46	42,544,591.17
Taxes payable	7(21)/13(14)	14,097,513.53	32,244,740.70	4,837,309.01	20,415,583.37
Other payables	7(22)/13(15)	333,018,330.60	287,114,544.91	2,751,488.86	71,028,145.81
Dividends payable		66,300,000.00	–	66,300,000.00	–
Total current liabilities		969,515,867.81	783,193,808.59	435,786,800.17	535,567,944.49
Non-current liabilities					
Provisions	7(23)/13(16)	6,117,678.30	6,117,678.30	–	5,373,521.00
Long-term loans	7(24)	970,000,000.00	569,000,000.00	10,000,000.00	10,000,000.00
Deferred tax liabilities	7(26)	150,368,811.36	150,863,045.84	–	–
Other non-current liabilities	7(25)	39,647,111.12	39,763,291.04	–	16,315,399.56
Total non-current liabilities		1,166,133,600.78	765,744,015.18	10,000,000.00	31,688,920.56
Total liabilities		2,135,649,468.59	1,548,937,823.77	445,786,800.17	567,256,865.05
Shareholders' equity					
Share capital	7(27)	552,500,000.00	552,500,000.00	552,500,000.00	552,500,000.00
Capital surplus	7(28)	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49	4,254,754,857.49
Special reserve	7(29)	2,849,507.46	–	9,204.51	–
Surplus reserve	7(30)	217,192,800.32	217,192,800.32	217,192,800.32	217,192,800.32
Undistributed profits	7(31)	266,805,842.01	314,373,550.50	256,789,944.75	255,394,629.50
Total equity attributable to shareholders of the Company		5,294,103,007.28	5,338,821,208.31	5,281,246,807.07	5,279,842,287.31
Minority interests	7(32)	355,206,494.50	356,427,687.36	–	–
Total shareholders' equity		5,649,309,501.78	5,695,248,895.67	5,281,246,807.07	5,279,842,287.31
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,784,958,970.37	7,244,186,719.44	5,727,033,607.24	5,847,099,152.36

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

Consolidated and Company Income Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2012 Consolidated (unaudited)	Six months ended 30 June 2011 Consolidated (unaudited)	Six months ended 30 June 2012 Company (unaudited)	Six months ended 30 June 2011 Company (unaudited)
Revenue	7(33)/13(17)	681,909,014.33	449,199,559.18	657,952,311.26	440,834,995.97
Less: Cost of sales	7(33)/13(17)	(577,352,064.57)	(313,586,988.23)	(578,093,474.26)	(385,201,430.74)
Taxes and surcharges	7(34)	(4,392,463.78)	(1,564,963.65)	(2,046,849.91)	(223,166.68)
Selling and distribution expenses	7(35)	(6,225,881.75)	(3,075,123.37)	(5,646,174.34)	(2,521,161.84)
General and administrative expenses	7(36)	(59,099,519.61)	(61,231,317.16)	(31,584,370.42)	(47,485,487.91)
Finance (expenses)/ income – net	7(37)	(6,181,506.52)	11,564,491.22	(7,204,326.92)	8,343,027.60
Asset impairment losses	7(16)/7(38)	(1,717,612.86)	(272,116.22)	(1,627,541.66)	(272,116.22)
Investment (losses)/income	7(39)/13(18)	(5,088,847.12)	354,171.80	40,523,422.30	106,444,864.42
Including: Share of (losses)/ profit of an associate and a joint-venture		(5,088,847.12)	354,171.80	(4,809,910.79)	684,374.05
Operating profit		21,851,118.12	81,387,713.57	72,272,996.05	119,919,524.60
Add: Non-operating income	7(40)	884,378.14	1,798,027.90	445,359.14	1,407,220.98
Less: Non-operating expenses	7(41)	(775,866.83)	(2,691,656.28)	(228,000.00)	(2,471,761.75)
Including: Losses on disposal of non-current assets		–	(547,550.96)	–	(547,550.96)
Total profit		21,959,629.43	80,494,085.19	72,490,355.19	118,854,983.83
Less: Income tax expenses	7(42)	(4,449,358.13)	(19,107,353.01)	(4,795,039.94)	(2,901,135.60)
Net profit		17,510,271.30	61,386,732.18	67,695,315.25	115,953,848.23
Attributable to shareholders of the Company		18,732,291.51	61,312,175.07	67,695,315.25	115,953,848.23
Minority interests		(1,222,020.21)	74,557.11	–	–
Earnings per share					
Basic earnings per share	7(43)	0.008	0.028		
Diluted earnings per share	7(43)	0.008	0.028		
Other comprehensive income		–	–	–	–
Total comprehensive income		17,510,271.30	61,386,732.18	67,695,315.25	115,953,848.23
Attributable to shareholders of the Company		18,732,291.51	61,312,175.07	67,695,315.25	115,953,848.23
Minority interests		(1,222,020.21)	74,557.11	–	–

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

Consolidated and Company Statements of Cash Flows (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2012 Consolidated (unaudited)	Six months ended 30 June 2011 Consolidated (unaudited)	Six months ended 30 June 2012 Company (unaudited)	Six months ended 30 June 2011 Company (unaudited)
1. Cash flows from operating activities					
Cash received from sales of goods		745,883,496.89	515,142,171.55	698,379,125.56	436,343,264.25
Cash received relating to other operating activities	7(44)(a)	38,926,570.68	69,536,776.97	3,800,668.23	71,746,226.69
Subtotal of cash inflows		784,810,067.57	584,678,948.52	702,179,793.79	508,089,490.94
Cash paid for goods and services		(620,547,583.41)	(630,640,420.48)	(630,732,556.69)	(580,070,312.61)
Cash paid to and on behalf of employees		(152,763,498.51)	(106,403,486.81)	(84,123,746.47)	(85,420,240.51)
Payments of taxes and surcharges		(91,302,118.53)	(51,323,285.89)	(38,918,954.41)	(20,926,189.34)
Cash paid relating to other operating activities	7(44)(b)	(19,888,996.46)	(23,365,557.10)	(12,831,339.97)	(40,276,064.67)
Subtotal of cash outflows		(884,502,196.91)	(811,732,750.28)	(766,606,597.54)	(726,692,807.13)
Net cash flows from operating activities	7(44) (c)/13(19)(a)	(99,692,129.34)	(227,053,801.76)	(64,426,803.75)	(218,603,316.19)
2. Cash flows from investing activities					
Cash received from disposal of fixed assets		28,651.55	-	28,651.55	-
Subtotal of cash inflows		28,651.55	-	28,651.55	-
Cash prepaid for investment		-	(80,000,000.00)	-	(80,000,000.00)
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(479,737,757.81)	(533,343,855.02)	(79,927,578.47)	(136,178,180.84)
Cash paid to dispose fixed assets		-	(575,928.56)	-	(575,928.56)
Cash paid to dispose a branch		-	-	(4,730,712.96)	-
Cash paid to set up subsidiaries		-	-	-	(110,000,000.00)
Cash paid to increase capital of subsidiaries		-	-	-	(125,400,000.00)
Subtotal of cash outflows		(479,737,757.81)	(613,919,783.58)	(84,658,291.43)	(452,154,109.40)
Net cash flows from investing activities		(479,709,106.26)	(613,919,783.58)	(84,629,639.88)	(452,154,109.40)

Consolidated and Company Statements of Cash Flows (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

	Note	Six months ended 30 June 2012 Consolidated (unaudited)	Six months ended 30 June 2011 Consolidated (unaudited)	Six months ended 30 June 2012 Company (unaudited)	Six months ended 30 June 2011 Company (unaudited)
3. Cash flows from financing activities					
Cash received from borrowings		551,000,000.00	310,000,000.00	110,000,000.00	110,000,000.00
Cash received from capital contributions		–	64,600,000.00	–	–
Including: Cash received from minority shareholders of subsidiaries		–	64,600,000.00	–	–
Subtotal of cash inflows		551,000,000.00	374,600,000.00	110,000,000.00	110,000,000.00
Cash repayment of loans		(50,000,000.00)	–	(50,000,000.00)	–
Cash payments for interest expenses		(33,549,259.33)	(8,125.00)	(11,223,526.33)	–
Subtotal of cash outflows		(83,549,259.33)	(8,125.00)	(61,223,526.33)	–
Net cash flows from financing activities		467,450,740.67	374,591,875.00	48,776,473.67	110,000,000.00
4. Effect of foreign exchange rate changes on cash and cash equivalents		–	–	–	–
5. Net decrease in cash and cash equivalents	7(44) (d)/13(19)(b)	(111,950,494.93)	(466,381,710.34)	(100,279,969.96)	(560,757,425.59)
Add: Cash and cash equivalents at beginning of period	7(44) (d)/13(19)(b)	568,501,002.36	1,501,686,084.60	484,985,770.67	1,134,663,666.60
6. Cash and cash equivalent at end of period	7(44) (d)/13(19)(b)	456,550,507.43	1,035,304,374.26	384,705,800.71	573,906,241.01

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 (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

	Attributable to equity holders of the Company						Total shareholders' equity
	Share capital (Note 7(27))	Capital surplus (Note 7(28))	Specific reserve (Note 7(29))	Surplus reserves (Note 7(30))	Undistributed profits (Note 7(31))	Subtotal	
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	5,695,116,114.67
Movements for the six months ended 30 June 2011							
Net profit	-	-	-	-	61,312,175.07	61,312,175.07	61,386,732.18
Profit distribution							
- Profit distribution to shareholders	-	-	-	-	(331,500,000.00)	(331,500,000.00)	(331,500,000.00)
Appropriation to specific reserve	-	-	3,919,996.03	-	-	3,919,996.03	3,919,996.03
Utilisation of specific reserve	-	-	(2,730,847.66)	-	-	(2,730,847.66)	(2,730,847.66)
Capital contribution by minority shareholders	-	-	-	-	-	-	64,600,000.00
Balance at 30 June 2011	552,500,000.00	4,254,754,857.49	1,189,148.37	194,806,549.58	206,806,455.84	5,210,057,011.28	5,490,791,995.22
Balance at 1 January 2012	552,500,000.00	4,254,754,857.49	-	217,192,800.32	314,373,550.50	5,338,821,208.31	5,695,248,895.67
Movements for the six months ended 30 June 2012							
Net profit	-	-	-	-	18,732,291.51	18,732,291.51	17,510,271.30
Profit distribution							
- Profit distribution to shareholders	-	-	-	-	(66,300,000.00)	(66,300,000.00)	(66,300,000.00)
Appropriation to specific reserve	-	-	5,626,881.85	-	-	5,626,881.85	5,627,709.20
Utilisation of specific reserve	-	-	(2,777,374.39)	-	-	(2,777,374.39)	(2,777,374.39)
Balance at 30 June 2012	552,500,000.00	4,254,754,857.49	2,849,507.46	217,192,800.32	266,805,842.01	5,294,103,007.28	5,649,309,501.78

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 (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

	Share capital (Note 7(27))	Capital surplus (Note 7(28))	Special reserve	Surplus reserves (Note 7(30))	Undistributed profits (Note 7(31))	Total shareholders' equity
Balance at 1 January 2011	552,500,000.00	4,254,754,857.49	-	194,806,549.58	385,418,372.85	5,387,479,779.92
Movements for the six months ended 30 June 2011						
Net profit	-	-	-	-	115,953,848.23	115,953,848.23
Profit distribution						
– Profit distribution to shareholders	-	-	-	-	(331,500,000.00)	(331,500,000.00)
Appropriation to specific reserve	-	-	1,812,803.63	-	-	1,812,803.63
Utilisation of specific reserve	-	-	(960,828.93)	-	-	(960,828.93)
Balance at 30 June 2011	552,500,000.00	4,254,754,857.49	851,974.70	194,806,549.58	169,872,221.08	5,172,785,602.85
Balance at 1 January 2012	552,500,000.00	4,254,754,857.49	-	217,192,800.32	255,394,629.50	5,279,842,287.31
Movements for the six months ended 30 June 2012						
Net profit	-	-	-	-	67,695,315.25	67,695,315.25
Profit distribution						
– Profit distribution to shareholders	-	-	-	-	(66,300,000.00)	(66,300,000.00)
Appropriation to specific reserve	-	-	906,431.79	-	-	906,431.79
Utilisation of specific reserve	-	-	(897,227.28)	-	-	(897,227.28)
Balance at 30 June 2012	552,500,000.00	4,254,754,857.49	9,204.51	217,192,800.32	256,789,944.75	5,281,246,807.07

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

Legal representative:
Yuan Ze

Principal in charge of accounting:
He Hongfeng

Head of accounting department:
Li Jianhua

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

1 General information

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

On 19 May 2006 the Company issued 80,000,000 new shares of RMB1 each, the registered capital increased from RMB300,000,000.00 to RMB380,000,000.00. Xinjiang Non-ferrous Group injected its land use rights of Kalatongke Mine and Fukang Refinery as increased capital. Shanghai Yilian, Zhongjin Investment, Xiamen Zijin, Xinjiang Xinying and Shaanxi Honghao paid the increased capital in cash.

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

In October 2007, the Company completed the issue of 690,000,000 H shares of RMB0.25 each at HK\$6.5 (equivalent to approximately RMB6.3) per share as a result of the Initial Public Offering and listing of the Company’s H shares on the Main Board of The Stock Exchange of Hong Kong Limited. In addition, pursuant to the relevant approval from the State-owned Assets Supervision and Administration Commission of the State Council (the “SASAC”), upon the completion of the H share listing, 69,000,000 domestic shares of RMB0.25 each 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 24 August 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”).



Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

3 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the six months ended 30 June 2012 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position of the Group and the Company as of 30 June 2012 and of their financial performance, cash flows and other information for the period 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) 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.

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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(4) 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.

(5) 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.

(6) 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 (Note 4(7)).

(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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(6) Financial instruments (continued)

(a) Financial assets (continued)

(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(7)). 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.

(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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(6) Financial instruments (continued)

(b) Financial liabilities (continued)

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.

(7) Receivables

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

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(7) Receivables (continued)

- (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%

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(7) 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.

(8) Inventories

- (a) *Classification*

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

- (b) *Costing of inventories*

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

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

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

- (d) The Group adopts the perpetual inventory system.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(9) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its 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. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group. 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(9) Long-term equity investments (continued)

(b) Subsequent measurement 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(9) Long-term equity investments (continued)

- (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.

- (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(17)). For other long-term equity investments which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets shall be recognised as impairment loss and cannot be reversed once recognised.

(10) 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(10) Fixed assets (continued)

(a) Recognition and initial measurement of fixed assets (continued)

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 except mining structures. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets except mining structures 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(10) Fixed assets (continued)

(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(17)).

(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.

(11) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the 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(17)).

(12) 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(12) Borrowing costs (continued)

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

(13) 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 using the straight-line method over 19 to 33 years.

(b) Exploration rights

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

(c) Land 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(13) Intangible assets (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(17)).

(14) 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.

(15) Goodwill

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

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(16) 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.

(17) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(18) 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.

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 of the Group expired, and were cancelled as approved by the Board of Directors' meeting held on 16 March 2012.

(19) Dividend distribution

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

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(20) 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.

(21) Deferred tax assets and deferred tax liabilities

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

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

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

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

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

Deferred tax assets and liabilities are offset when:

- the deferred 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.

(22) 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 and cost can be reliably measured.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(22) Revenue recognition (continued)

(b) Interest income

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

(23) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

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

(24) 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

4 Summary of significant accounting policies and accounting estimates

(continued)

(25) 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.

(26) 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(17) to the financial statements.

As at 30 June 2012, 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(26) Critical accounting estimates and assumptions (continued)

Critical accounting estimates and key assumptions (continued)

(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 30 June 2012, there was no impairment for goodwill. The recoverable amounts of different cash generating units to which the goodwill, have been determined based on value-in-use calculations using cash flow projections, based on financial budgets approved by senior management and management's assumptions and estimates including forecast of selling price of nickel and copper, discount rates and inflation rate. The discount rates used in cash flow projections in financial budgets depend on cash generating units.

(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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(26) 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.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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, established in Xinjiang Uygur Autonomous Region, 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. The tax exemption policies had expired by the end of 2010, while 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, the Company calculated and paid quarterly corporate income tax using the preferential rate of 15% for the six months ended 30 June 2012 (2011: 25%).
- (b) The applicable income tax rate of Shanghai Sales Branch is 25% (2011: 25%).

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

5 Taxation (continued)

(1) Corporate income tax (continued)

- (c) The subsidiary, Xinjiang Mengxi Mining Industry Co. Ltd., (hereafter “Mengxi Mining”), incorporated in 2008, is subject to corporate income tax rate of 25% (2011: 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. 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 six months ended 30 June 2012 (2011: 15%).
- (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. 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 15% for the six months ended 30 June 2012 (2011: 7.5%).
- (f) The subsidiary, Xinjiang Zhongxin Mining Industry Co., Ltd. (hereafter “Zhongxin Mining”), incorporated in 2009, is subject to corporate income tax rate of 25% for the six months ended 30 June 2012 (2011: 25%).
- (g) The subsidiary, Xinjiang Wuxin Copper Mining Co., Ltd. (hereafter “Wuxin Copper Mining”), incorporated in 2009, is subject to corporate income tax rate of 25% for the six months ended 30 June 2012 (2011: 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% (2011: 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% (2011: 25%).
- (j) The subsidiary, Shaanxi Xinxin Mining Co., Ltd. (hereafter “Shaanxi Xinxin”), acquired in 2011, is subject to corporate income tax rate of 25% (2011: 25%).

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

5 Taxation (continued)

(2) Value-added tax

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

For the purchase of raw materials, fuel, power, and equipment input VAT can deduct output VAT. 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.

(4) Mineral compensation

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

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

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

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

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

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

6 Business combination and consolidated financial statements

(1) Subsidiaries

(a) Subsidiaries acquired from establishment or investment

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 (Note)	Wholly-owned	Fuyun, the PRC	1,230,000,000.00	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

Subsidiaries	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries	% of equity interests held		% of voting rights held		Consolidated or not	Amount of minority interests charged by minority interests in the profit or loss	
			by the Group	by the Group	by the Group	by the Group		Minority interests	minority interests in the profit or loss
Mengxi Mining	10,200,000.00	Not applicable	51%	51%	Yes	9,840,155.98	-	-	-
Wuxin Copper Mining	521,400,000.00	Not applicable	66%	66%	Yes	266,492,847.96	(848,358.49)	-	-
Kalatongke Mining	1,230,000,000.00	Not applicable	100%	100%	Yes	-	-	-	-
Beijing Xinding	100,000,000.00	Not applicable	100%	100%	Yes	-	-	-	-

Note: Pursuant to the approval of the Board of Directors' Meeting held on 3 February 2012, the Company injected the net assets of its branch company Kalatongke Mine to its wholly-owned subsidiary Kalatongke Mining with amount of RMB1,220,000,000.00. This injection has completed as at 28 March 2012.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

6 Business combination and consolidated financial statements (continued)

(1) Subsidiaries (continued)

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

	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 exploration, processing and sales	Co., Ltd.	Guo Quan	71296966-1
Hami Jubao	Wholly-owned	Hami, the PRC	5,000,000.00	Copper and nickel exploration, processing and sales	Co., Ltd.	Guo Quan	71077102-9
Zhongxin Mining	Controlling	Hami, the PRC	120,000,000.00	Ore 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

	Ending balance of actual contribution	Ending balance of other items which forms substantially a part of net investment in subsidiaries	Ending balance of	% of equity interests held by the Group	% of voting rights held by the Group	Consolidated or not	Minority interests	Amount of minority interest charged by minority interests in the profit or loss
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	2,649,995.95	(85,870.25)	
Shaanxi Xinxin	80,000,000.00	Not applicable	51%	51%	Yes	76,223,494.61	(290,811.76)	

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements

(1) Cash and bank balances

	30 June 2012	31 December 2011
Cash on hand	97,388.40	52,164.69
Cash at bank	456,453,119.03	568,448,837.67
Restricted cash at banks (Note (a))	17,873,704.19	42,996,588.10
	474,424,211.62	611,497,590.46

(a) Included in the restricted cash at banks, approximately RMB14,006,203.75 was set aside as the security for issuing bank notes by the banks (31 December 2011: RMB37,669,127.88), and pursuant to the relevant rules and regulations issued by the government authorities, approximately RMB1,860,884.69 was set aside as guarantee deposits for environmental recovery and safety of production (31 December 2011: RMB3,325,757.44), and approximately RMB2,006,615.75 was set aside as deposits for compensation of industrial injury of migrant workers (31 December 2011: RMB2,001,702.78).

(2) Notes receivable

	30 June 2012	31 December 2011
Bank acceptance notes	351,855,180.24	293,053,627.37

The ageing of notes receivable is within 180 days. As at 30 June 2012, the Group did not pledge any notes receivable (31 December 2011: RMB19,530,000.00 was pledged to the banks as the guarantee of issuing notes payable).

(3) Interest receivable

	30 June 2012	31 December 2011
Interest on bank deposits	–	211,414.77

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(4) Accounts receivable

	30 June 2012	31 December 2011
Accounts receivable	107,992,099.62	78,025,535.80
Less: provision for bad debts	(3,454,648.51)	(3,010,187.93)
	104,537,451.11	75,015,347.87

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. As at 30 June 2012, there were no significant accounts receivable that were past due but provision for bad debts was not made.

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

	30 June 2012			31 December 2011		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	103,805,407.74	96.12%	(47,843.37)	74,205,090.32	95.10%	(103,410.62)
1 to 2 years	943,246.40	0.87%	(230,605.92)	769,954.70	0.99%	(57,886.41)
2 to 3 years	192,954.70	0.18%	(132,616.44)	501,558.70	0.64%	(299,958.82)
3 to 4 years	501,558.70	0.47%	(494,650.70)	324,351.70	0.42%	(324,351.70)
4 to 5 years	324,351.70	0.30%	(324,351.70)	-	-	-
Over 5 years	2,224,580.38	2.06%	(2,224,580.38)	2,224,580.38	2.85%	(2,224,580.38)
	107,992,099.62	100.00%	(3,454,648.51)	78,025,535.80	100.00%	(3,010,187.93)

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(4) Accounts receivable (continued)

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

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Provision		% of total		Provision	
	Amount	balance	Amount	ratio	Amount	balance	Amount	ratio
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	107,992,099.62	100.00%	(3,454,648.51)	3.20%	78,025,535.80	100.00%	(3,010,187.93)	3.86%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
	107,992,099.62	100.00%	(3,454,648.51)	3.20%	78,025,535.80	100.00%	(3,010,187.93)	3.86%

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

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Provision		% of total		Provision	
	Amount	balance	Amount	ratio	Amount	balance	Amount	ratio
Within 1 year	103,805,407.74	96.12%	(47,843.37)	0.05%	74,205,090.32	95.10%	(103,410.62)	0.14%
1 to 2 years	943,246.40	0.87%	(230,605.92)	24.45%	769,954.70	0.99%	(57,886.41)	7.52%
2 to 3 years	192,954.70	0.18%	(132,616.44)	68.73%	501,558.70	0.64%	(299,958.82)	59.81%
3 to 4 years	501,558.70	0.47%	(494,650.70)	98.62%	324,351.70	0.42%	(324,351.70)	100.00%
4 to 5 years	324,351.70	0.30%	(324,351.70)	100.00%	-	-	-	-
Over 5 years	2,224,580.38	2.06%	(2,224,580.38)	100.00%	2,224,580.38	2.85%	(2,224,580.38)	100.00%
	107,992,099.62	100.00%	(3,454,648.51)	3.20%	78,025,535.80	100.00%	(3,010,187.93)	3.86%

(d) As at 30 June 2012, there were no accounts receivable from shareholders who held more than 5% (including 5%) of the voting rights of the Company (2011: Nil).

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(4) Accounts receivable (continued)

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

	30 June 2012			31 December 2011		
	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	1.16%	(717,335.62)	1,255,416.10	1.61%	(330,472.14)
Xinjiang Haoxin Lithia Developing Co., Ltd.	324,351.70	0.30%	(324,351.70)	324,351.70	0.42%	(324,351.70)
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	938,500.00	0.87%	-	502,200.00	0.64%	-
	2,518,267.80	2.33%	(1,041,687.32)	2,081,967.80	2.67%	(654,823.84)

(f) As at 30 June 2012, the top five accounts receivable balances are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Jiugang Group Tianfeng Stainless Steel Co., Ltd.	Third party	67,828,973.44	Within 1 year	62.81%
Shenyang Chengtong Metal Co., Ltd.	Third party	19,294,620.82	Within 1 year	17.87%
Shanghai Central Material Co., Ltd.	Third party	13,697,857.90	Within 1 year	12.69%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related party	1,255,416.10	Within 3 years	1.16%
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	Related party	938,500.00	Within 1 year	0.86%
		103,015,368.26		95.39%

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(5) Other receivables

	30 June 2012	31 December 2011
Amount due from an associate (Note(i))	7,047,810.01	7,047,810.01
Factoring cost receivable (Note(ii))	6,747,161.00	3,872,685.99
Amount due from a joint-venture (Note(iii))	2,803,045.90	2,799,725.90
Revolving fund	3,300,999.69	2,531,393.80
Others	5,631,351.41	1,921,657.58
	25,530,368.01	18,173,273.28
Less: provision for bad debts	(800,806.00)	(710,734.80)
	24,729,562.01	17,462,538.48

- (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 with the rate of 4.86%. The principal amount was repaid in 2011. As at 30 June 2012, the balance mainly represented interest receivable.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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:

	30 June 2012			31 December 2011		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	15,086,566.78	59.09%	-	7,974,421.77	43.88%	-
1 to 2 years	344,176.11	1.35%	-	157,430.15	0.87%	-
2 to 3 years	2,811,885.06	11.02%	-	2,790,427.12	15.35%	-
3 to 4 years	36,745.82	0.14%	-	47,810.01	0.26%	-
4 to 5 years	47,810.01	0.19%	-	5,179,430.05	28.50%	(356,275.21)
Over 5 years	7,203,184.23	28.21%	(800,806.00)	2,023,754.18	11.14%	(354,459.59)
	25,530,368.01	100.00%	(800,806.00)	18,173,273.28	100.00%	(710,734.80)

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

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Provision ratio	Amount	% of total balance	Amount	Provision ratio
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	25,530,368.01	100.00%	(800,806.00)	3.14%	18,173,273.28	100.00%	(710,734.80)	3.91%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
	25,530,368.01	100.00%	(800,806.00)	3.14%	18,173,273.28	100.00%	(710,734.80)	3.91%

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

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:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Provision		% of total		Provision	
	Amount	balance	Amount	ratio	Amount	balance	Amount	ratio
Within 1 year	15,086,566.78	59.09%	-	-	7,974,421.77	43.88%	-	-
1 to 2 years	344,176.11	1.35%	-	-	157,430.15	0.87%	-	-
2 to 3 years	2,811,885.06	11.02%	-	-	2,790,427.12	15.35%	-	-
3 to 4 years	36,745.82	0.14%	-	-	47,810.01	0.26%	-	-
4 to 5 years	47,810.01	0.19%	-	-	5,179,430.05	28.50%	(356,275.21)	6.88%
Over 5 years	7,203,184.23	28.21%	(800,806.00)	3.14%	2,023,754.18	11.14%	(354,459.59)	17.51%
	25,530,368.01	100.00%	(800,806.00)	3.14%	18,173,273.28	100.00%	(710,734.80)	3.91%

- (d) As at 30 June 2012, there were no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2011: Nil).

- (e) As at 30 June 2012, the top five of other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Puxiong Mining	Associate	7,047,810.01	Over 4 years	27.61%
Tianfeng Stainless Steel	Third party	6,747,161.00	Within 1 year	26.43%
Hexin Mining	Joint-venture	2,803,045.90	2 to 3 years	10.98%
Fuyun Hongxin Construction Engineering Co., Ltd.	Third party	487,388.82	Within 1 year	1.91%
Mine production enterprise reclamation deposit	Third party	100,000.00	Over 4 years	0.39%
		17,185,405.73		67.32%

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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	30 June 2012			31 December 2011		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Hexin Mining	Joint-venture	2,803,045.90	10.98%	-	2,799,725.90	15.41%	-
Puxiong Mining	Associate	7,047,810.01	27.61%	(704,459.59)	7,047,810.01	38.78%	(704,459.59)
		9,850,855.91	38.59%	(704,459.59)	9,847,535.91	54.19%	(704,459.59)

(6) Advances to suppliers

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

	30 June 2012		31 December 2011	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	153,358,666.89	89.78%	55,773,024.84	83.10%
1 to 2 years	8,254,925.04	4.83%	5,581,560.63	8.32%
2 to 3 years	5,152,370.09	3.02%	5,529,158.50	8.24%
Over 3 years	4,043,548.40	2.37%	229,606.96	0.34%
	170,809,510.42	100.00%	67,113,350.93	100.00%

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(6) Advances to suppliers (continued)

(b) As at 30 June 2012, the top five of advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	% of total balance	Recognition date
Xinjiang Xianglun Mining Co., Ltd.	Third party	36,719,555.00	21.50%	2012
Wenquan Shunkaida Mining Co., Ltd.	Third party	30,000,000.00	17.57%	2012
Hami Wuxin Mining Co., Ltd.	Third party	10,000,000.00	5.85%	2012
Hexin Mining	Related party	10,000,000.00	5.85%	2012
Xi'an Yitepu International Trade Co., Ltd.	Third party	9,508,661.97	5.57%	2012
		96,228,216.97	56.34%	

(c) As at 30 June 2012, there were no advances to shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2011: Nil).

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

	30 June 2012			31 December 2011		
	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.	1,768,835.52	1.04%	-	518,804.42	0.77%	-
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	931,000.00	0.55%	-	380,000.00	0.57%	-
	2,699,835.52	1.59%	-	898,804.42	1.34%	-

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(7) Inventories

(a) Classification of inventories is as follows:

	30 June 2012			31 December 2011		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	199,073,136.82	(543,427.80)	198,529,709.02	207,621,737.52	(543,427.80)	207,078,309.72
Work in progress	45,092,582.39	-	45,092,582.39	89,169,675.17	-	89,169,675.17
Semi-finished goods	319,311,143.27	-	319,311,143.27	273,425,203.42	-	273,425,203.42
Finished goods	167,107,108.14	(11,311,952.52)	155,795,155.62	131,481,357.24	(13,054,146.61)	118,427,210.63
	730,583,970.62	(11,855,380.32)	718,728,590.30	701,697,973.35	(13,597,574.41)	688,100,398.94

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

	31 December 2011	Current period additions	Write-off	30 June 2012
Raw materials	(543,427.80)	-	-	(543,427.80)
Finished goods	(13,054,146.61)	(1,183,081.08)	2,925,275.17	(11,311,952.52)
	(13,597,574.41)	(1,183,081.08)	2,925,275.17	(11,855,380.32)

(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	-

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(8) Other current assets

	30 June 2012	31 December 2011
Deductible VAT	50,698,991.99	53,055,049.93

(9) Long-term equity investments

	30 June 2012	31 December 2011
Joint-venture (a)	142,266,215.50	147,076,126.29
Associate (b)	4,073,711.20	4,352,647.53
Less: Provision for impairment of long-term equity investments	—	—
	146,339,926.70	151,428,773.82

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

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(a) Joint-venture

	Accounting treatment	Investment cost	31 December 2011	Share of losses (Note 7(39))	30 June 2012	Equity interest held	Voting rights held
Hexin Mining	Equity method	145,326,500.00	147,076,126.29	(4,809,910.79)	142,266,215.50	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. 2012 was the second fiscal year commenced mass production.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(9) Long-term equity investments (continued)

(b) Associate

	Accounting treatment	Investment cost	31 December 2011	Share of losses (Note 7(39))	30 June 2012	Equity interest held	Voting rights held
Puxiong Mining	Equity method	6,901,029.17	4,352,647.53	(278,936.33)	4,073,711.20	30%	30%

According to the agreement signed on 28 May 2006 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 interests held	Voting rights held	30 June 2012 Total assets	30 June 2012 Total liabilities	Net assets	Six months ended 30 June 2012 Revenue	Net losses
Joint-venture – Hexin Mining	50%	50%	539,636,653.54	344,440,995.22	195,195,658.32	54,422,793.60	(9,619,821.57)
Associates – Puxiong Mining	30%	30%	49,944,067.27	36,365,029.92	13,579,037.35	2,622,045.22	(929,787.75)

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(10) Fixed assets

	Building	Mining structure	Machinery and equipment	Electronic equipment and others	Motor vehicles	Total
Cost						
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
Transfer-in from construction in progress	29,980,788.75	-	45,816,807.17	-	-	75,797,595.92
Additions	60,000.00	100,000.00	6,220,959.64	4,762,366.32	893,408.19	12,036,734.15
Disposals	-	-	-	-	(887,230.00)	(887,230.00)
30 June 2012	666,254,489.56	142,510,911.56	1,140,561,029.55	25,812,263.72	51,759,782.87	2,026,898,477.26
Accumulated depreciation						
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
Additions	11,893,027.70	3,114,585.58	26,383,734.65	1,412,875.65	2,424,730.99	45,228,954.57
Disposals	-	-	-	-	(860,613.10)	(860,613.10)
30 June 2012	208,829,607.35	63,611,735.39	248,647,399.21	12,242,339.74	22,956,584.56	556,287,666.25
Net book value						
30 June 2012	457,424,882.21	78,899,176.17	891,913,630.34	13,569,923.98	28,803,198.31	1,470,610,811.01
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

As at 31 December 2011 and 30 June 2012, the Group has not pledged any fixed assets.

For the six months ended 30 June 2012, RMB40,803,399.27 of the depreciation expense of fixed assets has been charged to cost of sales, RMB3,311,254.24 to general and administrative expense, RMB53,496.73 to selling expense and RMB1,060,804.33 to construction in progress (six months ended 30 June 2011: RMB29,681,019.25, RMB5,398,992.17, RMB18,381.54 and RMB1,857,847.83).

The costs of fixed assets transferred-in from construction in progress amounted to RMB75,797,595.92 for the six months ended 30 June 2012 (six months ended 2011: RMB617,475,928.01).

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(10) Fixed assets (continued)

(a) Temporarily idle fixed assets

	Cost	Accumulated depreciation	Net book value
Machinery and equipment	9,405,429.53	(7,118,882.81)	2,286,546.72
Electronic and office equipment	170,873.92	(68,778.79)	102,095.13
	9,576,303.45	(7,187,661.60)	2,388,641.85

As at 30 June 2012, machinery and equipment and electronic and office equipment with carrying amount of RMB2,388,641.85 (cost of RMB9,576,303.45) were temporarily idle for the purpose of production facility improvement (31 December 2011: 2,593,984.47 (cost of RMB24,358,269.28)).

(11) Construction materials

	31 December 2011	Additions	Reductions	30 June 2012
Construction materials	14,093,703.01	11,071,068.49	(13,361,381.10)	11,803,390.40

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(12) Construction in progress

	30 June 2012			31 December 2011		
	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
Nickel mining and ore processing project	-	-	-	503,551,095.59	-	503,551,095.59
Excavation project	-	-	-	252,012,673.20	-	252,012,673.20
Resource exploration project	-	-	-	38,568,548.57	-	38,568,548.57
Other constructions in progress for production	-	-	-	54,321,080.14	-	54,321,080.14
Fukang Refinery						
Utilisation of tailings project	79,517,894.81	-	79,517,894.81	73,048,745.82	-	73,048,745.82
Nickel refining project	16,908,716.43	-	16,908,716.43	1,001,571.44	-	1,001,571.44
Office building	6,503,290.10	-	6,503,290.10	2,538,087.88	-	2,538,087.88
Sub-total of the Company	102,929,901.34	-	102,929,901.34	936,174,052.36	-	936,174,052.36
Subsidiaries:						
Kalatongke Mining						
Nickel mining and ore processing project	513,195,703.89	-	513,195,703.89	-	-	-
Excavation project	253,634,296.89	-	253,634,296.89	-	-	-
Resource exploration project	40,065,621.98	-	40,065,621.98	-	-	-
Other constructions in progress for production	56,157,651.08	-	56,157,651.08	-	-	-
Mengxi Mining						
Copper mine exploration in Sangdewulan Area	15,532,600.00	-	15,532,600.00	15,532,600.00	-	15,532,600.00
Xinjiang Yakesi						
Huangshanxi mining project	541,704,372.93	-	541,704,372.93	506,073,226.48	-	506,073,226.48
Huangshandong #17 mine construction project	77,599,400.76	-	77,599,400.76	69,523,293.89	-	69,523,293.89
Huangshan nickel/copper ore processing plant construction project	166,087,021.60	-	166,087,021.60	87,268,395.85	-	87,268,395.85
Xiangshan mine construction project	21,756,884.08	-	21,756,884.08	17,258,647.09	-	17,258,647.09
Hami Jubao						
Huangshandong #12 mine project	46,576,612.41	-	46,576,612.41	38,520,386.43	-	38,520,386.43
Zhongxin Mining						
Auxiliary project for smelting operations	11,881,915.80	-	11,881,915.80	11,881,915.80	-	11,881,915.80
Wuxin Copper Mining						
Ten thousand copper smelting project	1,179,032,369.84	-	1,179,032,369.84	932,732,309.80	-	932,732,309.80
DPA project	58,794,447.62	-	58,794,447.62	52,427,854.46	-	52,427,854.46
Shaanxi Xinxin						
Other projects	380,000.00	-	380,000.00	380,000.00	-	380,000.00
Sub-total of subsidiaries	2,982,398,898.88	-	2,982,398,898.88	1,731,598,629.80	-	1,731,598,629.80
	3,085,328,800.22	-	3,085,328,800.22	2,667,772,682.16	-	2,667,772,682.16

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(12) Construction in progress (continued)

Project name	Budget	31 December 2011	Current period additions	Transfer to fixed assets	30 June 2012	% of expenditures incurred to budgeted amount	Cumulative capitalised borrowing costs	Including borrowing costs capitalised in current period	Capitalisation rate	Source of funds
Kalatongke Mining (Note 2)										
Nickel smelting project	616,216,804.14	11,132,249.72	37,315,215.86	(48,447,465.58)		100%	-	-	-	Self-funding
Nickel mining and ore processing project	634,000,000.00	503,551,095.59	9,644,608.30	-	519,195,703.89	80.95%	922,461.47	-	-	Self-funding/loans
Excavation project	293,984,689.02	252,012,673.20	27,229,867.08	(25,608,243.39)	253,634,296.89	94.99%	-	-	-	Self-funding
Resource exploration project	43,610,806.09	38,568,548.57	1,487,073.41	-	40,065,621.98	91.87%	-	-	-	Self-funding/government grants
Other constructions in progress for production	75,046,239.43	54,321,080.14	1,836,570.94	-	56,157,651.08	74.83%	-	-	-	Self-funding
Fuwang Refinery										
Utilisation of tailings project	287,631,650.00	73,048,745.82	6,468,148.99	-	79,517,894.81	97.36%	-	-	-	Self-funding
Nickel refining project	962,287,000.00	1,001,571.44	15,907,144.99	-	16,908,716.43	1.76%	-	-	-	Self-funding
Office building	20,000,000.00	2,538,087.88	3,965,202.22	-	6,503,290.10	32.52%	-	-	-	Self-funding
Mengxi Mining										
Copper mine exploration in Sangdewulan Area	28,280,000.00	15,532,600.00	-	-	15,532,600.00	54.92%	-	-	-	Self-funding
Xinjiang Yakesi										
Huangshanxi mining project	543,082,700.00	506,073,226.48	35,631,146.45	-	541,704,372.93	99.74%	42,540,682.89	22,943,402.87	7.40%	Self-funding/loans/government grants
Huangshandong #17 mine construction project	102,000,000.00	69,523,293.89	8,076,106.87	-	77,599,400.76	76.21%	-	-	-	Self-funding
Huangshan nickel/copper ore processing plant construction project	394,167,000.00	87,268,395.85	78,818,625.75	-	166,087,021.60	42.14%	-	-	-	Self-funding
Xiangshan mine construction project	41,217,536.24	17,258,647.09	5,006,463.89	(508,226.90)	21,756,884.08	83.05%	-	-	-	Self-funding
Hami Jubao										
Huangshandong #12 mine project	48,000,000.00	38,520,386.43	8,056,225.98	-	46,576,612.41	97.03%	-	-	-	Self-funding
Zhongxin Mining										
Auxiliary project for smelting operations	90,000,000.00	11,881,915.80	1,233,660.05	(1,233,660.05)	11,881,915.80	71.59%	-	-	-	Self-funding/government grants
Wuxin Copper Mining										
Ten thousand copper smelting project	1,527,619,700.00	932,732,309.80	246,300,060.04	-	1,179,032,369.84	77.18%	6,298,000.00	6,298,000.00	7.32%	Self-funding/government grants
DPA project	709,815,400.00	52,427,654.46	6,366,593.16	-	58,794,447.62	8.28%	-	-	-	Self-funding
Shaanxi Xinxin										
Other projects	184,680,000.00	380,000.00	-	-	380,000.00	0.21%	-	-	-	Self-funding
	6,601,659,524.92	2,667,772,682.16	493,353,713.98	(75,797,595.92)	3,085,328,800.22		49,761,124.36	29,241,402.87		

Note 1: As at 30 June 2012, 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.

Note 2: As stated in Note 6(i)(a), the Company injected the net assets of its branch company Kalatongke Mine to its wholly-owned subsidiary Kalatongke Mining. This injection has completed as at 30 June 2012. The Construction in progress balance as at 31 December 2011 of Kalatongke Mining is the one of Kalatongke Mine as at 31 December 2011.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(13) Intangible assets

	31 December 2011	Additions/ (Reductions)	30 June 2012
Cost	1,041,008,431.11	70,650,978.13	1,111,659,409.24
Mining rights	699,654,158.24	–	699,654,158.24
Exploration rights	208,153,000.00	–	208,153,000.00
Land use rights (Note 7(15(i)))	132,052,779.99	70,648,335.13	202,701,115.12
Others	1,148,492.88	2,643.00	1,151,135.88
Accumulated amortisation	71,253,487.48	8,865,075.33	80,118,562.81
Mining rights	56,978,362.88	7,272,793.51	64,251,156.39
Land use rights	13,532,407.31	1,482,607.75	15,015,015.06
Others	742,717.29	109,674.07	852,391.36
Net book value	969,754,943.63	61,785,902.80	1,031,540,846.43
Mining rights	642,675,795.36	(7,272,793.51)	635,403,001.85
Exploration rights	208,153,000.00	–	208,153,000.00
Land use rights	118,520,372.68	69,165,727.38	187,686,100.06
Others	405,775.59	(107,031.07)	298,744.52

For the six months ended 30 June 2012, the amortisation expense of intangible assets was RMB8,865,075.33 (six months ended 30 June 2011: RMB8,627,030.49).

The exploration rights owned by the Group were acquired through the acquisition of Shaanxi Xinxin in 2011. Shaanxi Xinxin has applied to convert the exploration rights of two mines located in Shangnan, Shaanxi into mining rights. As at 30 June 2012, the application was yet to be approved.

As at 30 June 2012 and 31 December 2011, 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 30 June 2012 and 31 December 2011, the Group's land use rights were located in mainland China with land use right periods ranging from 10-50 years.

Notes to the Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(14) Goodwill

	30 June 2012	31 December 2011
The acquisition of Zhongxin Mining	17,844,894.10	17,844,894.10
The acquisition of Xinjiang Yakesi and Hami Jubao	9,987,911.01	9,987,911.01
The acquisition of Shaanxi Xinxin	254,745.09	254,745.09
	28,087,550.20	28,087,550.20

As at 30 June 2012 and 31 December 2011, the Group did not make impairment provision on goodwill (note 4 (26 (b))).

(15) Other non-current assets

	30 June 2012	31 December 2011
Prepayment for purchase of land (i)	48,130,000.00	113,831,732.40
Prepaid utilities (ii)	41,339,500.00	46,066,594.10
Prepaid for compensation of investigation (iii)	2,000,000.00	–
Others	12,990.00	–
Total	91,482,490.00	159,898,326.50

(i) The prepayment for purchase of land as at 30 June 2012 included a prepayment for office building construction by Xinjiang Yakesi with amount of RMB40,000,000.00, and another one for office building construction by Fukang Refinery with amount of RMB8,130,000.00. As at 30 June 2012, as the land use right certificate has been obtained by Beijing Xinding, the prepayment for purchase of land paid in 2011 has been accounted in intangible assets.

(ii) The balance represented the prepayment for utilities of Xinjiang Yakesi, which will be offset the utilities to be incurred after 30 June 2013.

(iii) Pursuant to the agreement signed with Xinjiang Wanheng Mining Co., Ltd. (hereafter “Xinjiang Wanheng”) by the Company on 15 March 2012, the Company will conduct an investigation to the exploration rights of Ailemuxi Copper Mine and Hongshiyaquan Copper Mine owned by Xinjiang Wanheng. As a compensation, the Company need prepay RMB2,000,000.00 to Xinjiang Wanheng. Once the investigation result is satisfied, the Company will consider to acquire equity interest of Xinjiang Wanheng.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(16) Provision for asset impairment

	31 December 2011	Current period additions (Note 7(38))	Current period reductions	30 June 2012
Provision for bad debts	3,720,922.73	534,531.78	–	4,255,454.51
Including: Provision for bad debts of				
accounts receivables	3,010,187.93	444,460.58	–	3,454,648.51
Provision for bad debts of				
other receivables	710,734.80	90,071.20	–	800,806.00
Provision for decline in value of inventories	13,597,574.41	1,183,081.08	(2,925,275.17)	11,855,380.32
	17,318,497.14	1,717,612.86	(2,925,275.17)	16,110,834.83

(17) Notes payable

	30 June 2012	31 December 2011
Bank acceptance notes	11,999,588.00	54,533,511.46

As at 30 June 2012 and 31 December 2011, all notes payable would mature in one year.

(18) Accounts payable

	30 June 2012	31 December 2011
Payable for materials	80,555,487.46	72,370,227.82
Services fee payable	13,664,264.68	19,602,894.52
Transportation fee payable	1,509,423.01	2,091,167.90
Others	1,161,291.62	290,695.13
	96,890,466.77	94,354,985.37

(a) As at 30 June 2012, there were no payables due to shareholders who held more than 5% (including 5%) of the voting rights in the Company (31 December 2011: Nil).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(18) Accounts payable (continued)

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

	30 June 2012	31 December 2011
Hexin Mining	5,511,480.00	8,126,780.37
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,646,773.40	1,795,631.92
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	506,689.58	732,650.84
Fukang Non-ferrous Development Co., Ltd.	422,093.73	406,336.78
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	314,129.63	–
Xinjiang Non-ferrous Metallurgy Manufacture Factory	6,562.21	110,003.00
	8,407,728.55	11,171,402.91

(c) As at 30 June 2012, accounts payable over one year with carrying amount of RMB5,063,997.96 (31 December 2011: RMB3,530,486.34) were mainly payables for purchase of materials.

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

	30 June 2012	31 December 2011
0-90 days	81,338,138.97	87,236,805.85
91-180 days	2,062,801.00	2,260,387.90
Over 181 days	13,489,526.80	4,857,791.62
	96,890,466.77	94,354,985.37

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(19) Advances from customers

	30 June 2012	31 December 2011
Advances for goods	53,380,422.07	12,337,202.49

- (a) As at 30 June 2012, there were no advances from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2011: Nil). Up to the approval date of these financial statements RMB15,176,742.55 were recognised as revenue.
- (b) As at 30 June 2012, advances from customers over one year with carrying amount of approximately RMB867,279.81 (31 December 2011: RMB935,234.27).
- (c) Advances from related parties

	30 June 2012	31 December 2011
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	20,613,615.47	603,985.38
China Non-ferrous Metal Import and Export Company of Xinjiang	–	455,701.09
	20,613,615.47	1,059,686.47

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(20) Employee benefits payable

	31 December 2011	Current period additions	Current period reductions	30 June 2012
Salaries, bonuses, allowances and subsidies	38,171,614.92	100,195,335.44	(108,859,782.53)	29,507,167.83
Staff welfare	203,798.00	2,744,803.12	(2,784,075.12)	164,526.00
Social insurances	4,242,465.94	25,204,680.74	(26,409,116.87)	3,038,029.81
Including: Medical insurance	1,261,506.06	5,760,106.90	(5,866,155.74)	1,155,457.22
Pension insurance	1,693,787.07	15,323,548.36	(16,433,208.66)	584,126.77
Unemployment insurance	1,020,711.80	1,727,569.24	(1,764,527.82)	983,753.22
Work injury insurance	204,387.20	1,668,766.54	(1,626,255.92)	246,897.82
Maternity insurance	62,073.81	700,124.08	(694,403.11)	67,794.78
Illness insurance	–	24,565.62	(24,565.62)	–
Housing funds	1,671,477.42	8,234,054.13	(8,022,636.99)	1,882,894.56
Labor union fund and employee education fund	6,168,944.84	3,040,793.78	(2,323,266.57)	6,886,472.05
Others	2,150,522.54	2,987,658.76	(2,787,724.71)	2,350,456.59
	52,608,823.66	142,407,325.97	(151,186,602.79)	43,829,546.84

As at 30 June 2012, no defaulted payables were included in the employee benefits payable and the balance was estimated to be used up within one year.

(21) Taxes payable

	30 June 2012	31 December 2011
Income tax payables	5,572,843.86	16,904,109.32
Value added tax payable	4,550,116.05	7,013,102.56
Resource compensation fee payable	3,120,120.32	5,011,681.92
City maintenance and construction tax payable	280,610.29	482,825.86
Educational surcharge payable	280,400.19	349,321.11
Individual income tax payable	197,157.21	888,683.80
Stamp duty payable	54,696.38	1,034,103.77
Resource tax payable	15,100.96	557,044.48
Others	26,468.27	3,867.88
	14,097,513.53	32,244,740.70

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(22) Other payables

	30 June 2012	31 December 2011
Payables for construction in progress	172,653,340.38	200,572,117.09
Payables for equipments	114,883,378.77	54,139,285.73
Quality guarantee	28,994,257.39	20,686,531.04
Agency fee	167,786.66	3,012,004.62
Others	16,319,567.40	8,704,606.43
	333,018,330.60	287,114,544.91

(a) As at 30 June 2012, there were no other payables to shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2011: Nil).

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

	30 June 2012	31 December 2011
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	82,166,520.95	74,148,263.48
China Non-ferrous Metal Import and Export Company of Xinjiang	3,226,000.00	3,226,000.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	282,678.40	282,678.40
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	110,000.00	380,000.00
Fukang Non-ferrous Development Co., Ltd.	50,000.00	50,000.00
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	—	50,000.00
	85,835,199.35	78,136,941.88

(c) As at 30 June 2012, other payables over one year with carrying amount of RMB63,154,841.54 (31 December 2011: RMB41,868,548.05) were mainly payables for construction in progress and quality guarantee.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(23) Provision

	30 June 2012	31 December 2011
Provision for close down, restoration and environmental costs	6,117,678.30	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

	30 June 2012	31 December 2011
Unsecured loans	970,000,000.00	569,000,000.00

As at 30 June 2012, 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 7.15% annually (31 December 2011: 6.75%). Please refer to note 12(1(c)) for repayment schedule.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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 (%)	30 June 2012 Amount in RMB	31 December 2011 Amount in RMB
Bank of Communication Xinjiang Uygur Autonomous Region Branch	08/07/2011	19/12/2016	RMB	Floating rate	115,000,000.00	115,000,000.00
Xinjiang Non-ferrous Group	17/1/2012	16/1/2014	RMB	Floating rate	100,000,000.00	-
Xinjiang Non-ferrous Group	12/4/2012	11/4/2014	RMB	Floating rate	100,000,000.00	-
Xinjiang Non-ferrous Group	18/5/2012	18/5/2014	RMB	Floating rate	50,000,000.00	-
Bank of Communication Xinjiang Uygur Autonomous Region Branch	8/7/2011	19/12/2016	RMB	Floating rate	50,000,000.00	50,000,000.00
Bank of Communication Xinjiang Uygur Autonomous Region Branch	17/1/2012	17/1/2014	RMB	Floating rate	-	45,000,000.00
Bank of Communication Xinjiang Uygur Autonomous Region Branch	12/4/2012	12/4/2014	RMB	Floating rate	-	30,000,000.00
Bank of Communication Xinjiang Uygur Autonomous Region Branch	18/5/2012	18/5/2014	RMB	Floating rate	-	30,000,000.00
					415,000,000.00	270,000,000.00

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

	30 June 2012	31 December 2011
1 to 2 years	280,000,000.00	30,000,000.00
2 to 5 years	430,000,000.00	430,000,000.00
over 5 years	260,000,000.00	109,000,000.00
	970,000,000.00	569,000,000.00

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(24) Borrowings (continued)

(d) Short-term borrowings

	30 June 2012	31 December 2011
Unsecured loans	350,000,000.00	250,000,000.00

As at 30 June 2012, the weighted average interest rate of short-term borrowings is 6.43% annually (31 December 2011: 6.18%).

(25) Other non-current liabilities

	30 June 2012	31 December 2011
Deferred income	39,647,111.12	39,763,291.04

Deferred income

	30 June 2012	31 December 2011
– Enterprise development fund (Note (1))	12,603,000.00	12,603,000.00
– Land use right (Note (2))	9,440,002.54	9,544,891.48
– 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	1,300,000.00
– Project on online monitoring of pollution sources (Note (6))	400,000.00	400,000.00
– Project on recovery of No.1 mine residual ore (Note (7))	124,108.58	135,399.56
	39,647,111.12	39,763,291.04

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(25) Other non-current liabilities (continued)

- 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 non-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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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:*

	30 June 2012		31 December 2011	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deductible tax losses	9,326,081.20	38,956,400.33	7,614,009.38	30,456,037.50
Government grants	4,403,849.89	17,615,399.56	4,403,849.89	17,615,399.56
Impairment provision	4,259,178.33	17,036,713.32	4,259,178.33	17,318,497.16
Unrealised profit	3,625,448.88	14,501,795.50	2,445,678.31	9,782,713.22
Others	1,989,171.29	12,406,327.85	320,555.28	1,282,221.16
	23,603,729.59	100,516,636.56	19,043,271.19	76,454,868.60

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

	30 June 2012		31 December 2011	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving enterprises not under common control	150,368,811.36	601,475,245.44	150,863,045.84	603,452,183.36

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

	30 June 2012	31 December 2011
Deductible temporary differences	7,554,013.07	4,181,058.94

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(27) Share capital

	30 June 2012			31 December 2011		
	Number of shares	% of issued capital	Amount	Number of shares	% of issued capital	Amount
Sponsors:						
Xinjiang Non-ferrous Group	885,204,000	40.06%	221,301,000.00	885,204,000	40.06%	221,301,000.00
Shanghai Yilian	282,896,000	12.80%	70,724,000.00	282,896,000	12.80%	70,724,000.00
Zhongjin Investment	198,028,000	8.96%	49,507,000.00	198,028,000	8.96%	49,507,000.00
Xiamen Zijin	56,580,000	2.56%	14,145,000.00	56,580,000	2.56%	14,145,000.00
Xinjiang Xinying	22,020,000	1.00%	5,505,000.00	22,020,000	1.00%	5,505,000.00
Shaanxi Honghao	6,272,000	0.28%	1,568,000.00	6,272,000	0.28%	1,568,000.00
Subtotal	1,451,000,000	65.66%	362,750,000.00	1,451,000,000	65.66%	362,750,000.00
H Shareholders	759,000,000	34.34%	189,750,000.00	759,000,000	34.34%	189,750,000.00
	2,210,000,000	100.00%	552,500,000.00	2,210,000,000	100.00%	552,500,000.00

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 Holding Company (Note 1)	Capital reserve (Note 2)	Total
30 June 2012 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 in 2007.

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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(29) Specific reserve

	31 December 2011	Current period additions	Current period reductions	30 June 2012
Safety fund reserve (Note)	–	5,626,881.85	(2,777,374.39)	2,849,507.46

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

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, Kalatongke Mining, 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 amounted RMB2,777,374.39 for the six months ended 30 June 2012 (six months ended 30 June 2011: 2,730,847.66).

(30) Surplus reserve

	31 December 2011	Current period additions	Current period reductions	30 June 2012
Statutory reserve	217,192,800.32	–	–	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 has not appropriated the statutory reserve for the six months ended 30 June 2012, (six months ended 30 June 2011: Nil).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(31) Undistributed profits

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Amount	Ratio for appropriation or distribution	Amount	Ratio for appropriation or distribution
Undistributed profits at the beginning of the current period	314,373,550.50	–	476,994,280.77	–
Add: Net profit attributable to the equity holders of Company for the current period	18,732,291.51	–	61,312,175.07	–
Less: Appropriation for statutory reserve	(66,300,000.00)	RMB0.03 per share	(331,500,000.00)	RMB0.15 per share
Undistributed profits at the end of the current period	266,805,842.01	–	206,806,455.84	–

In accordance with a resolution of shareholders' meeting passed on 25 May 2012, the Company declared a cash dividend in the amount of RMB0.03 per share, totalling RMB66,300,000.00 calculated based on 2,210,000,000 issued shares.

(32) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	30 June 2012	31 December 2011
Wuxin Copper Mining	266,492,847.96	267,341,206.45
Shaanxi Xinxin	76,223,494.61	76,514,306.37
Mengxi Mining	9,840,155.98	9,836,308.34
Zhongxin Mining	2,649,995.95	2,735,866.20
	355,206,494.50	356,427,687.36

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(33) Revenue and cost of sales

	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenue from main operation	669,440,387.61	430,973,716.83
Revenue from other operation	12,468,626.72	18,225,842.35
	681,909,014.33	449,199,559.18
	Six months ended 30 June 2012	Six months ended 30 June 2011
Cost of main operation	566,906,974.88	302,936,680.06
Cost of other operation	10,445,089.69	10,650,308.17
	577,352,064.57	313,586,988.23

(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.

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Nickel cathode	493,543,938.00	443,242,895.31	362,253,743.88	257,136,977.94
Copper cathode	161,357,191.15	115,833,593.84	66,195,166.84	44,196,337.06
Copper concentrate	12,306,800.05	3,949,265.40	-	-
Others	2,232,458.41	3,881,220.33	2,524,806.11	1,603,365.06
	669,440,387.61	566,906,974.88	430,973,716.83	302,936,680.06

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(33) Revenue and cost of sales (continued)

(b) Revenue and cost of sales from other operation

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Revenue from other operation	Cost of other operation	Revenue from other operation	Cost of other operation
Sales of electricity	6,590,466.52	6,895,179.93	5,745,883.97	6,093,619.50
Sales of materials	2,553,867.29	2,138,727.47	3,731,423.00	1,685,573.62
Scrap sales	1,145,871.43	200,210.72	7,032,330.00	2,243,056.00
Others	2,178,421.48	1,210,971.57	1,716,205.38	628,059.05
	12,468,626.72	10,445,089.69	18,225,842.35	10,650,308.17

Revenue from top five customers of the Group

Revenue from top five customers of the revenue of the Group amounted to RMB453,920,473.20, which accounted for 66.56% (six months ended 30 June 2011: RMB382,440,385.51, accounted for 85.14%) of the total revenue of the Group. Details are as follows:

	Revenue	Percentage of the total revenue of the Group
Tianfeng Stainless Steel	140,709,396.85	20.63%
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	138,476,651.79	20.31%
Ningbo Kelun Metal Co., Ltd.	60,396,636.36	8.86%
Yunnan Kelun Ferroalloy Smelting Co., Ltd.	60,365,650.68	8.85%
Shenyang Chengtong Metal Co., Ltd.	53,972,137.52	7.91%
	453,920,473.20	66.56%

(34) Taxes and surcharges

	Six months ended 30 June 2012	Six months ended 30 June 2011
City maintenance and construction tax	2,345,698.12	927,665.52
Education surcharge	1,998,090.82	619,514.73
Others	48,674.84	17,783.40
	4,392,463.78	1,564,963.65

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(35) Selling and distribution expenses

	Six months ended 30 June 2012	Six months ended 30 June 2011
Transportation fees	5,319,429.56	2,128,112.91
Employee benefits	566,830.39	564,147.87
Administration and travel expense	199,620.27	113,524.52
Depreciation	61,696.95	87,206.94
Others	78,304.58	182,131.13
	6,225,881.75	3,075,123.37

(36) General and administrative expenses

	Six months ended 30 June 2012	Six months ended 30 June 2011
Employee benefits	30,189,485.55	24,752,306.98
Mineral resources compensation fees	6,298,439.03	11,290,217.86
Depreciation and amortization	4,834,157.28	6,805,840.22
Sewage charges	3,211,549.00	3,742,969.00
Taxation	2,856,834.38	2,079,036.15
Administration expense	2,503,452.52	2,512,136.58
Service charge	1,600,450.02	1,600,200.00
Operating leases expenses	852,686.00	842,298.40
Intermediary agency fee	780,742.95	845,211.86
Others	5,971,722.88	6,761,100.11
	59,099,519.61	61,231,317.16

(37) Finance (expenses)/income – net

	Six months ended 30 June 2012	Six months ended 30 June 2011
Interest income on deposits	4,532,642.70	11,036,109.50
Net foreign exchange (losses)/gains	(270.91)	729.40
Discount interest unwinding	–	630,520.00
Interest expense on bank borrowings	(10,605,856.46)	(8,125.00)
Bank charges	(108,021.85)	(94,742.68)
	(6,181,506.52)	11,564,491.22

For each of the six months end 30 June 2012 and 2011, all the Group's interest expense was related to the borrowings repayable within five years.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
Provision for decline in value of inventories	1,183,081.08	–
Provision for bad debts	534,531.78	272,116.22
	1,717,612.86	272,116.22

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
Share of losses/(income) of a joint-venture	(4,809,910.79)	684,374.05
Share of loss of an associate	(278,936.33)	(330,202.25)
	(5,088,847.12)	354,171.80

(a) Losses/(income) from long-term equity investments under equity method

	Six months ended 30 June 2012	Six months ended 30 June 2011	Reason for current period fluctuation
Hexin Mining	(4,809,910.79)	684,374.05	Change of operating situation of invested company
Puxiong Mining	(278,936.33)	(330,202.25)	Change of operating situation of invested company
	(5,088,847.12)	354,171.80	

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(40) Non-operating income

	Six months ended 30 June 2012	Six months ended 30 June 2011
Government grants (Note (a))	514,970.25	1,581,290.98
Gain on disposal of fixed assets	2,034.65	64,611.50
Others	367,373.24	152,125.42
	884,378.14	1,798,027.90

(a) Details of government grants

	Six months ended 30 June 2012	Six months ended 30 June 2011
Funds for new type industrial development	300,000.00	–
Energy saving subsidies	100,000.00	1,570,000.00
Platinum tax refund	18,679.27	–
Others	96,290.98	11,290.98
	514,970.25	1,581,290.98

(41) Non-operating expenses

	Six months ended 30 June 2012	Six months ended 30 June 2011
Donations (Note (i))	105,000.00	1,908,000.00
Losses on disposal of non-current assets	–	547,550.96
Others	670,866.83	236,105.32
	775,866.83	2,691,656.28

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

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(42) Income tax expenses

	Six months ended 30 June 2012	Six months ended 30 June 2011
Current income tax	9,504,051.01	6,483,573.04
Deferred income tax	(5,054,692.88)	12,623,779.97
	4,449,358.13	19,107,353.01

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
Total profit	21,959,629.43	80,494,085.19
Income tax expenses calculated at applicable tax rate of 25%	5,489,907.36	20,123,521.30
Effect of tax reduction during tax incentive period	(3,455,206.28)	(1,012,263.74)
Losses/(income) not subject to tax	1,272,211.78	(88,542.95)
Expenses not deductible for tax purposes	299,206.73	84,638.40
Temporary differences for which no deferred tax asset was recognised	843,238.53	—
	4,449,358.13	19,107,353.01

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

(43) Earnings per share

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
Consolidated net profit attributable to equity holders of the Company	18,732,291.51	61,312,175.07
Weighted average number of ordinary shares outstanding	2,210,000,000.00	2,210,000,000.00
Basic/diluted earnings per share	0.008	0.028

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 for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil), diluted earnings per share equal to basic earnings per share.

(44) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	Six months ended 30 June 2012	Six months ended 30 June 2011
Restricted cash at banks	25,122,883.91	—
Interest income	4,744,057.47	13,326,819.46
Cash received from a related party	—	50,000,000.00
Others	9,059,629.30	6,209,957.51
	38,926,570.68	69,536,776.97

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

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

(b) Cash paid relating to other operating activities

	Six months ended 30 June 2012	Six months ended 30 June 2011
Administrative expenses	5,595,438.54	7,458,582.21
Transportation fees	5,055,124.65	1,960,887.84
Sewage charge	3,211,549.00	3,742,969.00
Service fees	1,630,450.02	1,600,200.00
Agency fees	776,949.06	845,211.86
Donations	105,000.00	1,908,000.00
Others	3,514,485.19	5,849,706.19
	19,888,996.46	23,365,557.10

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
Net profit	17,510,271.30	61,386,732.18
Adjustment:		
Provisions for asset impairment	1,717,612.86	272,116.22
Depreciation of fixed assets	44,168,150.24	34,957,702.55
Amortisation of intangible assets	8,865,075.33	8,627,030.49
Net (income)/losses on disposal of fixed assets	(2,034.65)	547,550.96
(Increase)/decrease in deferred tax assets	(4,560,458.40)	13,075,632.68
Decrease in deferred tax liabilities	(494,234.48)	(451,852.71)
Financial expenses	10,605,856.46	8,125.00
Investment losses/(income)	5,088,847.12	(354,171.80)
Increase in inventories	(31,811,272.44)	(257,259,889.66)
Increase in operating receivables	(161,956,589.12)	(109,095,191.37)
Increase in operating payables	11,104,656.73	22,045,227.92
Decrease/(increase) in long-term prepaid expenses	188,169.64	(66,114.30)
Others	(116,179.93)	(746,699.92)
Net cash flows from operating activities	(99,692,129.34)	(227,053,801.76)

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

7 Notes to the consolidated financial statements (continued)

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

(d) Movement of cash and cash equivalents

	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash and cash equivalents at end of the period (e)	456,550,507.43	1,035,304,374.26
Less: cash and cash equivalents at beginning of the period	(568,501,002.36)	(1,501,686,084.60)
Net decrease in cash and cash equivalents	(111,950,494.93)	(466,381,710.34)

(e) Cash and cash equivalents

	30 June 2012	31 December 2011
Cash	456,550,507.43	568,501,002.36
Including: Cash on hand	97,388.40	52,164.69
Cash at bank that can be readily drawn on demand	456,453,119.03	568,448,837.67
Cash equivalents	–	–
Cash and cash equivalents	456,550,507.43	568,501,002.36

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 six months ended 30 June 2012 and 2011, the Group's sales were conducted in China and the Group's assets and liabilities were in China.

For the six months ended 30 June 2012, revenue of top three customers of the Group accounted for 20.63%, 20.31% and 8.86% of the total revenue of the Group respectively (six months ended 30 June 2011: 37.08%, 26.72% and 12.71%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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.

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

Name of company	31 December 2011	Current period additions	Current period reductions	30 June 2012
Xinjiang Non-ferrous Group	1,441,525,444.00	-	-	1,441,525,444.00

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

Name	30 June 2012 % interests held and % voting rights	31 December 2011 % 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).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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 Axi 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

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
Purchase of equipment and parts		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	2,128,883.91	263,150.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	–	145,447.00
Purchase of coal		
Fukang Non-ferrous Development Co., Ltd.	305,598.63	–
Purchase of nickel concentrate		
Hexin Mining	55,453,444.27	52,839,719.21
Purchase of raw materials and consumables		
Fukang Non-ferrous Development Co., Ltd.	2,331,404.07	1,857,064.25
Xinjiang Non-ferrous Metal Industrial Materials (Group) Co., Ltd.	4,760.68	–
	60,224,091.56	55,105,380.46

Purchase of raw materials from related parties for the six months ended 30 June 2012 represented 12% of total purchase of raw materials (six months ended 30 June 2011: 14%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

10 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(c) Provision of services

	Six months ended 30 June 2012	Six months ended 30 June 2011
Construction services		
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	114,053,763.78	73,741,944.87
China Non-ferrous Metal Import and Export Company of Xinjiang	1,000,000.00	—
Supply of heat		
Fukang Non-ferrous Development Co., Ltd.	16,312.63	—
Transportation services		
Xinjiang Non-ferrous Metallurgy Transportation Company Co., Ltd.	4,078,938.90	965,952.90
Fukang Non-ferrous Development Co., Ltd.	1,717,056.90	979,112.72
Comprehensive supporting services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,600,450.02	1,600,200.00
Design fees		
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	1,479,000.00	570,000.00
Other services		
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	461,934.07	539,613.25
	124,407,456.30	78,396,823.74

Payment for construction services to related party for the six months ended 30 June 2012 represents 38% of total payment of construction services (six months ended 30 June 2011: 15%).

Payment for transportation services to related party party for the six months ended 30 June 2012 represents 36% of total payment of transportation services (six months ended 30 June 2011: 22%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

10 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Sale of products to related parties

	Six months ended 30 June 2012	Six months ended 30 June 2011
Fuyun Hengsheng Beryllium Industry Co., Ltd.	14,754,375.43	8,156,045.00
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	–	840,315.55
	14,754,375.43	8,996,360.55

Sales by the group to related party for the six months ended 30 June 2012 represented 2% of total sales (six months ended 30 June 2011: 2%).

(e) Lease fee payable to a related party

	Six months ended 30 June 2012	Six months ended 30 June 2011
Xinjiang Non-ferrous Group	817,965.00	817,965.00

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 for six months ended 30 June 2012 (six months ended 30 June 2011: 100%).

(f) Remuneration of key management

	Six months ended 30 June 2012	Six months ended 30 June 2011
Remuneration of key management	2,529,815.74	2,062,134.24

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

10 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(f) Remuneration of key management (continued)

Directors' emoluments for the six months ended 30 June 2012 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Yuan Ze	–	266,800.00	–	266,800.00
Shi Wenfeng	–	272,116.84	9,846.00	281,962.84
Zhang Guohua	–	272,116.84	9,846.00	281,962.84
Liu Jun	–	218,716.84	9,846.00	228,562.84
Li Wing Sum, Steven	21,956.46	–	–	21,956.46
Chen Jianguo	35,000.00	–	–	35,000.00
Wang Lijin	35,000.00	–	–	35,000.00
	91,956.46	1,029,750.52	29,538.00	1,151,244.98

Directors' emoluments for the six months ended 30 June 2011 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Yuan Ze	–	200,000.00	–	200,000.00
Shi Wenfeng	–	204,482.86	8,301.60	212,784.46
Zhang Guohua	–	204,482.86	8,301.60	212,784.46
Liu Jun	–	164,482.86	8,301.60	172,784.46
Ng Yuk Keung	50,000.00	–	–	50,000.00
Chen Jianguo	35,000.00	–	–	35,000.00
Sun Baosheng	10,416.67	–	–	10,416.67
Wang Lijin	8,749.99	–	–	8,749.99
	104,166.66	773,448.58	24,904.80	902,520.04

Supervisors' emoluments for the six months ended 30 June 2012 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Jiang Mingshun	–	197,366.84	9,846.00	207,212.84
Sun Baohui	–	130,907.60	9,846.00	140,753.60
Hu Zhijiang	20,000.00	–	–	20,000.00
Chen Yuping	20,000.00	–	–	20,000.00
	40,000.00	328,274.44	19,692.00	387,966.44

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

10 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(f) Remuneration of key management (continued)

Supervisors' emoluments for the six months ended 30 June 2011 are as follows:

Name	Fee	Salary and allowance	Pension	Total
Jiang Mingshun	–	148,482.86	8,301.60	156,784.46
Sun Baohui	–	129,865.76	8,301.60	138,167.36
Hu Zhijiang	12,500.00	–	–	12,500.00
Chen Yuping	12,500.00	–	–	12,500.00
	25,000.00	278,348.62	16,603.20	319,951.82

The five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the six months ended 30 June 2012 included four (six months ended 30 June 2011: four) directors whose emoluments were reflected in the analysis presented above. The emolument payable to the remaining one is as follows:

	Six months ended 30 June 2012	Six months ended 30 June 2011
Basic salaries, bonus, housing allowance, other allowances in kind	304,915.80	321,309.00
	Number of individuals	
	Six months ended 30 June 2012	Six months ended 30 June 2011
Emolument bands: HK\$0 – 1,000,000 (approximately RMB0 – 819,300)	1	1

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

10 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(g) Entrusted loans provided by holding company

	Six months ended 30 June 2012	Six months ended 30 June 2011
Xinjiang Non-ferrous Group	250,000,000.00	–

(h) Use of registered trademark

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

(6) Balances due from or due to related parties

(a) Accounts receivable

	30 June 2012	31 December 2011
Fuyun Hengsheng Beryllium Industry Co., Ltd.	1,255,416.10	1,255,416.10
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	938,500.00	502,200.00
Xinjiang Haoxin Lithia Developing Co., Ltd.	324,351.70	324,351.70
	2,518,267.80	2,081,967.80

As at 30 June 2012, the accounts receivable from related parties accounted for 2% of total accounts receivable (31 December 2011: 3%). Provision for impairment the accounts receivable amounted to RMB1,041,687.32 (30 June 2011: RMB654,823.85).

(b) Other receivables

	30 June 2012	31 December 2011
Puxiong Mining	7,047,810.01	7,047,810.01
Hexin Mining	2,803,045.90	2,799,725.90
	9,850,855.91	9,847,535.91

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

10 Related parties and related party transactions (continued)

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

(c) Advances to suppliers

	30 June 2012	31 December 2011
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	1,768,835.52	518,804.42
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	931,000.00	380,000.00
	2,699,835.52	898,804.42

As at 30 June 2012, the advances to related parties accounted for 2% of total advances (30 June 2011: 1%).

(d) Accounts payable

	30 June 2012	31 December 2011
Hexin Mining	5,511,480.00	8,126,780.37
Xinjiang Non-ferrous Metal Industry (Group) Fuyun Xingtong Service Co., Ltd.	1,646,773.40	1,795,631.92
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	506,689.58	732,650.84
Fukang Non-ferrous Development Co., Ltd.	422,093.73	406,336.78
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	314,129.63	–
Xinjiang Non-ferrous Metallurgy Manufacture Factory	6,562.21	110,003.00
	8,407,728.55	11,171,402.91

As at 30 June 2012, the payables to related parties accounted for 9% of total payables (31 December 2011: 12%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

10 Related parties and related party transactions (continued)

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

(e) Other payables

	30 June 2012	31 December 2011
Xinjiang Non-ferrous Metal Industry (Group) Quanxin Construction Co., Ltd.	82,166,520.95	74,148,263.48
China Non-ferrous Metal Import and Export Company of Xinjiang	3,226,000.00	3,226,000.00
Xinjiang Non-ferrous Industry Group Precious Metal Co., Ltd.	282,678.40	282,678.40
Xinjiang Metallurgical Design Institute of Non-ferrous Metals Co., Ltd.	110,000.00	380,000.00
Fukang Non-ferrous Development Co., Ltd.	50,000.00	50,000.00
Xinjiang Non-ferrous Metallurgy Transportation Co., Ltd.	—	50,000.00
	85,835,199.35	78,136,941.88

As at 30 June 2012, the other payables to related parties accounted for 26% of total other payables (31 December 2011: 27%).

(f) Advances from customers

	30 June 2012	31 December 2011
Xinjiang Non-ferrous Metals Industrial Materials (Group) Co., Ltd.	20,613,615.47	603,985.38
China Non-ferrous Metal Import and Export Company of Xinjiang	—	455,701.09
	20,613,615.47	1,059,686.47

As at 30 June 2012, advances from related parties accounted for 39% of total advances from customers (31 December 2011: 9%).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

10 Related parties and related party transactions (continued)

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

(g) Long-term borrowings

	30 June 2012	31 December 2011
Xinjiang Non-ferrous Group	250,000,000.00	–

As at 30 June 2012, the borrowings due to related parties accounted for 19% of total borrowings (31 December 2011: Nil). The entrusted loans were provided to Wuxin Copper Mining, a subsidiary of the Company by Non-ferrous Group through Bank of Communication Xinjiang Uygur Autonomous Region Branch, and guaranteed by the Company (share interest of 66%) and the other shareholder of Wuxin Copper Mining (share interest of 34%) based on the proportion of share interest.

(7) Guarantee for a related party

Each of the Company and its joint venture partner has issued corporate guarantees of RMB190,000,000.00 in favour of Hexin Mining's bank borrowing of RMB280,000,000.00 and finance lease of RMB100,000,000.00 (the finance lease with remaining balance of RMB45,567,157.59 as at 30 June 2012). Such corporate guarantees remained in force as at 30 June 2012.

11 Commitments

(1) Capital commitments

Capital expenditures contracted for or as approved by the management as budget but are not yet necessary to be recognised on the balance sheet:

	30 June 2012	31 December 2011
Buildings, machinery, and equipment	2,328,644,576.99	3,008,731,590.64

(2) Operating lease commitments

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

	30 June 2012	31 December 2011
Within 1 year	817,965.00	1,635,930.00

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

12 Financial instrument and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily 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) Interest rate 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 30 June 2012, the Group's interest bearing borrowings were mainly at floating rates and denominated in RMB, which totalled RMB1,320,000,000.00 (31 December 2011: RMB819,000,000.00).

As at 30 June 2012, if interest rates had been 10% lower/higher with all other variables held constant, post-tax profit for the six months ended 30 June 2012 would have been RMB3,022,061.72 higher/lower (31 December 2011: higher/lower RMB1,268,151.14).

(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.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

12 Financial instrument and risk (continued)

(1) Market risk (continued)

(c) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

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

	30 June 2012				
	Within 1 year	1 to 2 years	2 to 5 years	over 5 years	total
Trade payables	96,890,466.77	-	-	-	96,890,466.77
Borrowings	475,005,276.16	340,591,424.66	527,450,952.05	275,276,178.97	1,618,323,831.84
Notes payable	11,999,588.00	-	-	-	11,999,588.00
Other payables and accruals	333,018,330.60	-	-	-	333,018,330.61
	916,913,661.53	340,591,424.66	527,450,952.05	275,276,178.97	2,060,232,217.22

	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	991,332,472.61
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	1,427,335,514.35

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

12 Financial instrument and risk *(continued)*

(1) Market risk *(continued)*

(d) Concentration risk

Revenues are principally derived from sales of nickel cathode and copper cathode. Approximately 50% of the total sales for the six months ended 30 June 2012 (six months ended 30 June 2011: 77%) 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 30 June 2012 and 31 December 2011, there were no financial instruments which are measured at fair value for the Group.

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

13 Notes to the parent company's financial statements

(1) Cash and bank balances

	30 June 2012	31 December 2011
Cash on hand	23,899.23	31,210.98
Cash at bank	384,681,901.48	484,954,559.69
Restricted cash at banks	–	1,000,000.00
	384,705,800.71	485,985,770.67

(2) Notes receivable

	30 June 2012	31 December 2011
Bank acceptance notes	335,455,180.24	286,113,627.37

(3) Accounts receivable

	30 June 2012	31 December 2011
Accounts receivable	106,874,244.80	101,032,688.04
Less: provision for bad debts	(3,454,648.51)	(3,010,187.93)
	103,419,596.29	98,022,500.11

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

13 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:

	30 June 2012			31 December 2011		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
With 1 year	102,862,112.62	96.25%	(47,843.37)	97,789,242.56	96.79%	(103,410.62)
1 to 2 years	768,686.40	0.72%	(230,605.92)	192,954.70	0.19%	(57,886.41)
2 to 3 years	192,954.70	0.18%	(132,616.14)	501,558.70	0.50%	(299,958.82)
3 to 4 years	501,558.70	0.47%	(494,650.70)	324,351.70	0.32%	(324,351.70)
Over 4 years	2,548,932.38	2.38%	(2,548,932.38)	2,224,580.38	2.20%	(2,224,580.38)
	106,874,244.80	100.00%	(3,454,648.51)	101,032,688.04	100.00%	(3,010,187.93)

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

	30 June 2012				31 December 2011			
	Ending balance	Provision for bad debts		Ending balance	Provision for bad debts		Provision	
	Amount	% of total balance	Amount	ratio	Amount	% of total balance		
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	106,874,244.80	100.00%	(3,454,648.51)	3.23%	101,032,688.04	100.00%	(3,010,187.93)	2.98%
With amounts that are not individually significant but that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	
	106,874,244.80	100.00%	(3,454,648.51)	3.23%	101,032,688.04	100.00%	(3,010,187.93)	2.98%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

13 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:

	30 June 2012				31 December 2011			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	% of total		Provision		% of total		Provision	
	Amount	balance	Amount	ratio	Amount	balance	Amount	ratio
Within 1 year	102,862,112.62	96.25%	(47,843.37)	0.04%	97,789,242.56	96.79%	(103,410.62)	0.11%
1 to 2 years	768,686.40	0.72%	(230,605.92)	0.22%	192,954.70	0.19%	(57,886.41)	30.00%
2 to 3 years	192,954.70	0.18%	(132,616.14)	0.12%	501,558.70	0.50%	(299,958.82)	59.81%
3 to 4 years	501,558.70	0.47%	(494,650.70)	0.47%	324,351.70	0.32%	(324,351.70)	100.00%
Over 4 years	2,548,932.38	2.38%	(2,548,932.38)	2.38%	2,224,580.38	2.20%	(2,224,580.38)	100.00%
	106,874,244.80	100.00%	3,454,648.51	3.23%	101,032,688.04	100.00%	(3,010,187.93)	2.98%

- (d) As at 30 June 2012, there were no accounts receivable from shareholders who hold more than 5% (including 5%) of the voting rights of the Company (31 December 2011: Nil).
- (e) As at 30 June 2012, the top five accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Tianfeng Stainless Steel	Third party	67,828,973.44	Within 1 year	63.47%
Shenyang Chengtong Metal Co., Ltd.	Third party	19,294,620.82	Within 1 year	18.05%
Shanghai Central Material Co., Ltd.	Third party	13,697,857.90	Within 1 year	12.82%
Fuyun Hengsheng Beryllium Industry Co., Ltd.	Related party	1,255,416.10	Within 3 years	1.17%
Shanghai Jinmin Trading Co., Ltd.	Third party	802,933.20	Over 5 years	0.75%
		102,879,801.46		96.26%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

13 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	30 June 2012			31 December 2011		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Fuyun Hengsheng Beryllium Industry Co., Ltd	Fellow subsidiary	1,255,416.10	1.18%	(717,335.62)	1,255,416.10	1.24%	(330,472.14)
Wuxin Copper Mining	Subsidiary	943,778.59	0.88%	-	949,564.82	0.94%	-
Xinjiang Haoxin Lithia Developing Co., Ltd.	Fellow subsidiary	324,351.70	0.30%	(324,351.70)	324,351.70	0.32%	(324,351.70)
Zhongxin Mining	Subsidiary	-	-	-	23,358,147.58	23.12%	-
		2,523,546.39	2.36%	(1,041,687.32)	25,887,480.20	25.62%	(654,823.84)

(4) Other receivables

	30 June 2012	31 December 2011
Amount due from an subsidiaries	673,539,908.96	112,741,005.14
Factoring cost receivable (Note 7(5)(ii))	6,747,161.00	3,872,685.99
Amount due from a joint-venture (Note 7(5)(iii))	2,656,320.00	2,655,000.00
Staff advance	383,108.59	1,346,823.78
Others	2,492,760.85	468,072.11
	685,819,259.40	121,083,587.02
Less: provision for bad debts	(6,275.21)	(6,275.21)
	685,812,984.19	121,077,311.81

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(4) Other receivables (continued)

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

	30 June 2012			31 December 2011		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Within 1 year	683,048,567.51	99.60%	-	118,155,305.93	97.58%	-
1 to 2 years	20,662.50	-	-	16,916.36	0.01%	-
2 to 3 years	2,720,000.00	0.40%	-	2,708,180.50	2.24%	-
Over 4 years	30,029.39	-	(6,275.21)	203,184.23	0.17%	(6,275.21)
	685,819,259.40	100.00%	(6,275.21)	121,083,587.02	100.00%	(6,275.21)

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

	30 June 2012				31 December 2011			
	Ending balance	Provision for bad debts	Provision		Ending balance	Provision for bad debts	Provision	
	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	685,819,259.40	100.00%	(6,725.21)	0.01%	121,083,587.02	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	-	-	-	-	-	-	-	-
	685,819,259.40	100.00%	(6,725.21)	0.01%	121,083,587.02	100.00%	(6,725.21)	0.01%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(4) Other receivables (continued)

(c) As at 30 June 2012, there was no other receivables from shareholders who held more than 5% (including 5%) of the voting rights of the Company (31 December 2011: Nil).

(d) As at 30 June 2012, the top five other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Kalatongke Mining	Subsidiary	601,992,681.19	Within 1 year	87.78%
Wuxin Copper Mining	Subsidiary	70,624,727.77	Within 1 year	10.30%
Tianfeng Stainless Steel	Third party	6,747,161.00	Within 1 year	0.98%
Hexin Mining	Joint-venture	2,652,320.00	2 to 3 years	0.39%
Shaanxi Xinxin	Subsidiary	892,500.00	Within 1 year	0.13%
		682,909,389.96		99.58%

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

Relationship with the Group	30 June 2012			31 December 2011		
	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Kalatongke Mining	601,992,681.19	87.78%	-	-	-	-
Wuxin Copper Mining	70,624,727.77	10.30%	-	70,624,727.77	58.33%	-
Hexin Mining	2,652,320.00	0.39%	-	2,655,000.00	2.19%	-
Shaanxi Xinxin	892,500.00	0.13%	-	510,000.00	0.42%	-
Zhongxin Mining	-	-	-	41,606,277.37	34.36%	-
	676,162,228.96	98.60%	-	115,396,005.14	95.30%	-

(5) Advances to suppliers

The ageing of advances to suppliers is analysed below:

	30 June 2012		31 December 2011	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	117,817,899.36	98.75%	17,575,970.35	91.85%
1 to 2 years	863,530.60	0.73%	1,093,859.18	5.72%
2 to 3 years	348,731.14	0.29%	240,900.50	1.26%
Over 3 years	279,045.00	0.23%	225,736.96	1.17%
	119,309,206.10	100.00%	19,136,466.99	100%

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(6) Inventories

	As at 30 June 2012			As at 31 December 2011		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	21,788,000.49	(543,427.80)	21,244,572.69	129,881,437.80	(543,427.80)	129,338,010.00
Work in progress	43,052,144.86	-	43,052,144.86	89,907,128.46	-	89,907,128.46
Semi-finished goods	249,126,090.52	-	249,126,090.52	128,549,847.21	-	128,549,847.21
Finished goods	153,328,290.43	-	153,328,290.43	258,220,620.49	(10,128,871.44)	248,091,749.05
	467,294,526.30	(543,427.80)	466,751,098.50	606,559,033.96	(10,672,299.24)	595,886,734.72

(7) Other current assets

	30 June 2012	31 December 2011
Deductible VAT	18,106,991.79	25,613,409.06

(8) Long-term equity investments

	30 June 2012	31 December 2011
Subsidiaries (Note (a))	2,871,531,420.87	1,651,531,420.87
Joint venture (Note (b))	142,266,215.50	147,076,126.29
	3,013,797,636.37	1,798,607,547.16

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

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(8) Long-term equity investments (continued)

(a) Subsidiaries

	Accounting treatment	Investment cost	31 December 2011	Current period additions	30 June 2012	Equity interest held	Voting rights held
Mengxi Mining	Cost method	10,200,000.00	10,200,000.00	-	10,200,000.00	51%	51%
Xinjiang Yakesi	Cost method	720,171,915.12	720,171,915.12	-	720,171,915.12	99.51%	99.51%
Hami Jubao	Cost method	91,100,349.00	91,100,349.00	-	91,100,349.00	75%	75%
Zhongxin Mining	Cost method	118,659,156.75	118,659,156.75	-	118,659,156.75	97.58%	97.58%
Wuxin Copper Mining	Cost method	521,400,000.00	521,400,000.00	-	521,400,000.00	66%	66%
Kalatongke Mining	Cost method	1,230,000,000.00	10,000,000.00	1,220,000,000.00	1,230,000,000.00	100%	100%
Beijing Xinding	Cost method	100,000,000.00	100,000,000.00	-	100,000,000.00	100%	100%
Shaanxi Xinxin	Cost method	80,000,000.00	80,000,000.00	-	80,000,000.00	51%	51%
			1,651,531,420.87	1,220,000,000.00	2,871,531,420.87		

(b) Joint venture

	Accounting treatment	Investment cost	31 December 2011	Share of losses	30 June 2012	Equity interest held	Voting rights held
Hexin Mining	Equity method	145,326,500.00	147,076,126.29	(4,809,910.79)	142,266,215.50	50%	50%

As at 30 June 2012, there was no indication of impairment for long-term equity investments (31 December 2011: Nil).

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(9) Fixed assets

	Building	Mining structure	Machinery and equipment	Electronic equipment and others	Motor vehicles	Total
Cost						
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
Additions	-	-	3,920,180.69	581,160.40	4,102.56	4,505,443.65
Reductions	-	-	-	-	(887,230.00)	(887,230.00)
Disposals	(325,943,173.22)	(28,744,916.86)	(527,701,963.05)	(4,048,256.31)	(20,600,371.23)	(907,038,680.67)
30 June 2012	167,883,540.65	-	442,988,720.54	9,432,881.97	14,897,732.53	635,202,875.69
Accumulated depreciation						
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
Additions	7,713,794.35	364,121.94	19,780,063.57	684,832.36	1,146,766.50	29,689,578.72
Reductions	-	-	-	-	(860,613.10)	(860,613.10)
Disposals	(103,069,936.83)	(14,648,639.95)	(106,162,015.23)	(2,397,804.41)	(10,102,589.43)	(236,380,985.85)
30 June 2012	75,536,326.60	-	100,860,361.40	5,518,661.31	6,468,118.10	188,383,467.41
Net book value						
30 June 2012	92,347,214.05	-	342,128,359.14	3,914,220.66	8,429,614.43	446,819,408.28
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

Refer to Note 7(10(a))

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(10) Intangible assets

	31 December 2011	Additions	Disposal of branches	30 June 2012
Cost	379,674,313.84	1,454,174.15	(344,220,643.89)	36,907,844.10
Mining rights	298,494,000.00	–	(298,494,000.00)	–
Land use rights	80,714,007.30	1,451,531.15	(45,257,694.35)	36,907,844.10
Others	466,306.54	2,643.00	(468,949.54)	–
Accumulated amortisation	54,872,892.07	3,110,656.75	(53,342,376.11)	4,641,172.71
Mining rights	45,200,580.00	2,475,180.00	(47,675,760.00)	–
Land use rights	9,311,631.64	611,550.07	(5,282,009.00)	4,641,172.71
Others	360,680.43	23,926.68	(384,607.11)	–
Net book value	324,801,421.77	(1,656,482.60)	(290,878,267.78)	32,266,671.39
Mining rights	253,293,420.00	(2,475,180.00)	(250,818,240.00)	–
Land use rights	71,402,375.66	839,981.08	(39,975,685.35)	32,266,671.39
Others	105,626.11	(21,283.68)	(84,342.43)	–

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(11) Accounts payable

	30 June 2012	31 December 2011
Payable for materials	8,765,249.18	140,609,617.36
Transportation fee payable	–	809,153.42
Others	946,981.27	20,349.54
	9,712,230.45	141,439,120.32

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

	30 June 2012	31 December 2011
0-90 days	6,634,722.67	122,228,169.83
91-180 days	467,607.83	117,640.00
Over 181 days	2,609,899.95	19,093,310.49
	9,712,230.45	141,439,120.32

(12) Advances from customers

	30 June 2012	31 December 2011
Advances for goods	24,011,546.39	10,140,503.82

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(13) Employee benefits payable

	31 December 2011	Current period additions	Current period reductions	Disposal of branches	30 June 2012
Salaries, bonuses, allowances and subsidies	30,404,606.54	52,701,630.00	(62,273,806.37)	(6,139,298.85)	14,693,131.32
Staff welfare	–	1,924,970.75	(1,924,970.75)	–	–
Social insurances	3,973,699.64	13,558,749.79	(11,128,604.70)	(6,395,622.69)	8,222.04
Including: Medical insurance	1,238,949.97	3,060,896.38	(2,154,176.38)	(2,143,493.06)	2,176.91
Pension insurance	1,528,244.89	8,489,747.86	(7,620,142.77)	(2,397,849.98)	–
Unemployment insurance	988,706.95	835,183.52	(552,633.52)	(1,265,211.82)	6,045.13
Work injury insurance	172,328.93	805,178.39	(522,628.39)	(454,878.93)	–
Maternity insurance	45,468.90	360,918.02	(272,198.02)	(134,188.90)	–
Illness insurance	–	6,825.62	(6,825.62)	–	–
Housing funds	1,546,224.45	4,420,415.00	(4,422,326.00)	(1,081,195.45)	463,118.00
Labor union fund and employee education fund	4,581,763.00	1,626,705.50	(1,291,246.45)	(2,324,713.98)	2,592,508.07
Others	2,038,297.54	1,576,109.76	(1,560,191.34)	(1,636,969.93)	417,246.03
	42,544,591.17	75,808,580.80	(82,601,145.61)	(17,577,800.90)	18,174,225.46

(14) Taxes payable

	30 June 2012	31 December 2011
Income tax payables	4,223,870.26	16,643,620.61
Value added tax payable	395,073.94	853,318.85
Individual income tax payable	121,996.07	788,660.24
Stamp duty payable	46,976.28	663,054.74
City maintenance and construction tax payable	28,203.73	58,532.59
Educational surcharge payable	12,258.77	24,696.83
Resource tax payable	–	293,603.20
Resource compensation fee payable	–	1,063,612.21
Others	8,929.96	26,484.10
Total	4,837,309.01	20,415,583.37

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(15) Other payables

	30 June 2012	31 December 2011
Agency fee	143,860.66	2,670,838.62
Payables for construction in progress	–	20,157,205.43
Payables for equipments	–	42,202,330.56
Others	2,607,628.20	5,997,771.20
Total	2,751,488.86	71,028,145.81

(16) Provision

	30 June 2012	31 December 2011
Provision for close down, restoration and environmental costs	–	5,373,521.00

(17) Revenue and cost of sales

	Six months ended 30 June 2012	Six months ended 30 June 2011
Revenue from main operation	656,278,886.71	430,973,716.83
Revenue from other operation	1,673,424.55	9,861,279.14
	657,952,311.26	440,834,995.97
	Six months ended 30 June 2012	Six months ended 30 June 2011
Cost of main operation	576,916,083.82	381,504,552.07
Cost of other operation	1,177,390.44	3,696,878.67
	578,093,474.26	385,201,430.74

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

13 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

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Revenue from main operation	Cost of main operation	Revenue from main operation	Cost of main operation
Nickel cathode	493,543,938.00	454,804,094.49	362,253,743.88	319,140,256.45
Copper cathode	161,357,191.15	119,213,029.29	66,195,166.84	60,760,930.56
Others	1,377,757.56	2,898,960.04	2,524,806.11	1,603,365.06
	656,278,886.71	576,916,083.82	430,973,716.83	381,504,552.07

(b) Revenue and cost of sales from other operation

	Six months ended 30 June 2012		Six months ended 30 June 2011	
	Revenue from other operation	Cost of sales from other operation	Revenue from other operation	Cost of sales from other operation
Scrap sales	637,631.18	200,210.72	5,999,262.55	791,980.93
Sales of materials	218,250.06	209,567.83	1,659,610.99	1,675,675.18
Sales of electricity	700,756.63	698,729.39	1,198,347.75	1,198,272.31
Others	116,786.68	68,882.50	1,004,057.85	30,950.25
	1,673,424.55	1,177,390.44	9,861,279.14	3,696,878.67

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012

(All amounts in RMB Yuan unless otherwise stated)

13 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 RMB453,920,473.20 for the six months ended 30 June 2012 (six months ended 30 June 2011: 382,440,385.51), which accounted for 69% (six months ended 30 June 2011: 87%) of the total revenue of the Company. Details are as follows:

	Revenue	Percentage of the total revenue of the Group
Tianfeng Stainless Steel	140,709,396.85	21.39%
Shaanxi Shenghua Non-ferrous Metal Co., Ltd.	138,476,651.79	21.05%
Ningbo Kelun Metal Co., Ltd.	60,396,636.36	9.18%
Yunnan Kelun Ferroalloy Smelting Co., Ltd.	60,365,650.68	9.17%
Shenyang Chengtong Metal Co., Ltd.	53,972,137.52	8.20%
	453,920,473.20	68.99%

(18) Investment income

	Six months ended 30 June 2012	Six months ended 30 June 2011
Income from subsidiaries under cost method	45,333,333.09	105,760,490.37
(Losses)/income from a joint-venture under equity method	(4,809,910.79)	684,374.05
	40,523,422.30	106,444,864.42

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

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

(19) Supplementary information to consolidated cash flow statements

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

	Six months ended 30 June 2012	Six months ended 30 June 2011
Net profit	67,695,315.25	115,953,848.23
Adjustment:		
Provisions for asset impairment	1,627,541.66	272,116.22
Depreciation of fixed assets	29,683,565.12	23,090,543.81
Amortisation of intangible assets	3,111,129.45	5,820,223.20
(Gains)/losses on disposal of fixed assets	(2,034.65)	547,550.96
Financial expenses	10,301,064.86	–
Investment (income)/losses	(40,523,422.30)	(106,444,864.42)
Increase in inventories	(31,496,540.89)	(196,919,111.88)
Increase in operating receivables	(96,665,561.79)	(7,988,568.38)
Decrease in operating payables	(8,151,742.27)	(53,145,217.65)
Others	(6,118.19)	210,163.72
Net cash flows from operating activities	(64,426,803.75)	(218,603,316.19)

(b) Movement of cash and cash equivalents

	Six months ended 30 June 2012	Six months ended 30 June 2011
Cash and cash equivalents at end of period	384,705,800.71	573,906,241.01
Less: cash and cash equivalents at beginning of period	(484,985,770.67)	(1,134,663,666.60)
Net decrease in cash and cash equivalents	(100,279,969.96)	(560,757,425.59)

Notes to Financial Statements (Unaudited)

For the six months ended 30 June 2012
(All amounts in RMB Yuan unless otherwise stated)

14 Net current assets

	The Group	
	30 June 2012	31 December 2011
Current assets	1,895,783,497.69	1,805,509,318.75
Less: current liabilities	(969,515,867.81)	(783,193,808.59)
Net current assets	926,267,629.88	1,022,315,510.16

	The Company	
	30 June 2012	31 December 2011
Current assets	2,113,560,857.82	1,632,047,235.50
Less: current liabilities	(435,786,800.17)	(535,567,944.49)
Net current assets	1,677,774,057.65	1,096,479,291.01

15 Total assets less current liabilities

	The Group	
	30 June 2012	31 December 2011
Total assets	7,784,958,970.37	7,244,186,719.44
Less: current liabilities	(969,515,867.81)	(783,193,808.59)
Total assets less current liabilities	6,815,443,102.56	6,460,992,910.85

	The Company	
	30 June 2012	31 December 2011
Total assets	5,727,033,607.24	5,847,099,152.36
Less: current liabilities	(435,786,800.17)	(535,567,944.49)
Total assets less current liabilities	5,291,246,807.07	5,311,531,207.87



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